



Certified Public Accountants

**LIFE STEPS FOUNDATION INC.
(A CALIFORNIA NONPROFIT CORPORATION)**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2024

LIFE STEPS FOUNDATION, INC.
TABLE OF CONTENTS

	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO FINANCIAL STATEMENTS	7-17



Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Life Steps Foundation, Inc.
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Life Steps Foundation, Inc. (LSF, Inc.), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LSF, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LSF, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LSF, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Los Angeles, California
July 11, 2025

LIFE STEPS FOUNDATION, INC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,984,919
Accounts and program receivables, net	1,042,509
Employee loans	300,682
Investments	8,265,751
Prepaid expense	28,305
TOTAL CURRENT ASSETS	11,622,166

NON-CURRENT ASSETS

Land, building and equipment, net	5,442,836
Right of use asset - operating lease	255,056
Deposits	23,746
Other assets - retirement management annuity	129,957

TOTAL ASSETS	\$ 17,473,761
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LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 111,816
Payroll tax payable	92,273
Accrued expenses	675,311
Operating lease liability, current portion	69,263
TOTAL CURRENT LIABILITIES	948,663

NON-CURRENT LIABILITIES

Operating lease liability, net current portion	116,203
TOTAL NON-CURRENT LIABILITIES	-

TOTAL LIABILITIES	\$ 1,064,866
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COMMITMENTS

NET ASSETS

Without donor restrictions	16,408,895
With donor restrictions	-
TOTAL NET ASSETS	16,408,895

TOTAL LIABILITIES AND NET ASSETS	\$ 17,473,761
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The accompanying notes are an integral part of these financial statements.

LIFE STEPS FOUNDATION, INC
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2024

SUPPORT AND REVENUE	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Contract and grants	\$ 8,651,400	\$ -	\$ 8,651,400
Donations and other support	318,780	-	318,780
Interest and dividend income	280,503	-	280,503
Management and operating support fees	-	-	-
Other income	271,256	-	271,256
Patient services revenues	822,390	-	822,390
Rent	278,888	-	278,888
Unrealized gain on investments	518,183	-	518,183
	<u>11,141,400</u>	<u>-</u>	<u>11,141,400</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	11,141,400	-	11,141,400
EXPENSES			
Program services	8,680,634	-	8,680,634
General and administrative	1,183,609	-	1,183,609
Fundraising	197,267	-	197,267
TOTAL EXPENSES	<u>10,061,510</u>	<u>-</u>	<u>10,061,510</u>
CHANGE IN NET ASSETS	1,079,890	-	1,079,890
NET ASSETS AT BEGINNING OF YEAR	<u>15,329,005</u>	<u>-</u>	<u>15,329,005</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 16,408,895</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,408,895</u></u>

The accompanying notes are an integral part of these financial statements.

LIFE STEPS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING ACTIVITIES

Change in net assets	\$ 1,079,890
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	198,096
Unrealized gain on investments	(518,183)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts and program receivables, net	135,377
Employee loans	(9,103)
Prepaid expenses	(8,985)
Right of use asset - operating lease	(255,056)
Deposits	-
Other assets - retirement management annuity	(15,159)
Increase (decrease) in:	
Accounts payable	54,780
Payroll tax payable	29,827
Accrued expenses	231,825
Operating lease liability, current portion	69,263
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>992,572</u>

INVESTING ACTIVITIES

Purchases of investments	<u>(727,048)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(727,048)</u>

FINANCING ACTIVITIES

Payments on long-term debt	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>

CHANGE IN CASH AND CASH EQUIVALENTS	265,524
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,719,395</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,984,919</u></u>

SUPPLEMENTARY DISCLOSURE

Interest paid	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

LIFE STEPS FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND- RAISING	TOTAL
Advertising	\$ 8,413	\$ 1,174	\$ 196	\$ 9,783
Bank fees	1,997	279	46	2,322
Consulting and professional fees	312,491	43,604	7,267	363,362
Dues and subscriptions	31,473	4,391	732	36,596
Employee benefits	362,498	50,581	8,430	421,509
Equipment	28,501	3,977	663	33,141
Insurance - group	269,425	37,594	6,266	313,285
Insurance - liability	93,493	13,046	2,174	108,713
Insurance - worker's compensation	321,828	44,906	7,484	374,218
Legal and professional fees	15,910	2,220	370	18,500
Moving and storage	28,680	4,002	667	33,349
Office expenses	190,281	26,549	4,424	221,254
Payroll fees	840	117	20	977
Payroll taxes	515,248	71,895	11,983	599,126
Postage and delivery	9,115	1,272	212	10,599
Recruiting	25,807	3,601	600	30,008
Rent - building	343,286	47,900	7,983	399,169
Rent - equipment	17,141	2,392	399	19,932
Repairs and maintenance	81,699	11,400	1,900	94,999
Salaries and wages	5,463,997	762,418	127,069	6,353,484
Security	4,457	622	104	5,183
Seminars	16,227	2,265	377	18,869
Taxes licenses and permits	83,680	11,676	1,946	97,302
Telephone	68,441	9,550	1,592	79,583
Travel	187,610	26,178	4,363	218,151
Total expenses before depreciation and amortization	8,482,538	1,183,609	197,267	9,863,414
Depreciation	198,096	-	-	198,096
TOTAL EXPENSES	\$ 8,680,634	\$ 1,183,609	\$ 197,267	\$ 10,061,510

The accompanying notes are an integral part of these financial statements.

**LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1: PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization - LSF, Inc.

Life Steps Foundation, Inc. (LSF, Inc.), established in 1983, is a not-for-profit LSF, Inc. that provides in-home, community-based services to mentally, physically, or developmentally disabled families, single parents, minorities, seniors, and other high-risk populations challenged by substance abuse, premature birth, child abuse or neglect, and social or economic deprivation. The 65+ member staff serves an average of 150 consumers per month through 6 programs. LSF, Inc. receives funding primarily through state and municipal contracts.

Merger of Affiliated Nonprofits

During the year ended June 30, 2009, LSF, Inc.'s LSF, Inc. structure was changed in accordance with its Self-Sufficiency Plan. Under the new structure, LSF, Inc.'s operations were segmented among five independent businesses or affiliates. As of June 30, 2017, five affiliates have been incorporated as independent businesses, of which two are inactive. The active affiliates are Life Steps Foundation SoCal Adult Services (SoCal), Life Steps Foundation Children & Family Services (CAFS), and Life Steps Foundation Family and Adult Care Exchange Services (FACES), dba Life Steps Foundation Central California Adult Services. The inactive affiliates are Life Steps Foundation Aging and Health Management Services, and Life Steps Foundation, Integrated Aging Model. These inactive affiliates closed their doors in July 2018. Under the said plan, the affiliates become business owners by giving them more autonomy and providing them the opportunity to operate as independent entities.

On September 1, 2021 upon approval of the board of directors, LSF, Inc acquired the LSF Family and Adult Care Exchange Services (LSF FACES), tax ID 26-2906416. LSF FACES' assets and liabilities at the time of acquisition were as follows:

	<u>August 31, 2021</u>
Cash	\$ 199,101
Accounts receivable	156,870
Deposits	<u>1,904</u>
Total assets	<u>357,875</u>
Accounts payable	398
Payroll tax payable & other	11,996
Accrued expenses	73,834
Intercompany payments to LSF, Inc.	147,053
Total liabilities	\$ <u>233,281</u>

On March 1, 2022, upon approval of the board of directors, LSF, Inc. acquired the LSF SoCal Adult Services (LSF SoCal), tax ID 26-2906354 along with the LSF Children and Family Services (LSF CAFS), tax ID 26-2906416.

**LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1: PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LSF SoCal's assets and liabilities at the time of acquisition were as follows:

	<u>February 28, 2022</u>
Cash	\$ 1,556,412
Accounts receivable	397,610
Deposits	5,831
Total assets	<u>1,959,853</u>
Accounts payable	65,898
Payroll tax payable & other	22,219
Accrued expenses	206,732
PPP loan	94,708
Total liabilities	<u>\$ 389,557</u>

LSF CAFS' assets and liabilities at the time of acquisition were as follows:

	<u>February 28, 2022</u>
Cash	\$ 397,681
Accounts receivable	420,892
Investments	1,989,077
Deposits	1,839
Total assets	<u>2,809,489</u>
Accounts payable	8,490
Payroll tax payable & other	5,595
Accrued expenses	60,135
Total liabilities	<u>\$ 74,220</u>

All three entities were California nonprofit public benefit corporations. These acquisitions were made to streamline all operations since all companies were run by the same CEO, and there was considerable overlap in personnel, operating, occupancy, and other costs. This also allowed the utilization of one accounting system that operates with one database software. LS CAFS board of directors became LSF, Inc. board of directors while LS FACES and LS SoCal had the same board of directors and CEO as LSF, Inc.

Basis of Accounting

The accompanying financial statements of LSF, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification and Reporting of Funds

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958). Under the main provisions of this update, net assets and changes in net assets are presented only for two classes: net assets with donor restrictions and net assets without restrictions, rather than the three classes: unrestricted, temporarily restricted, and permanently restricted.

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and Reporting of Funds (continued)

FASB ASC 958-205-45 requires LSF Inc. to report all of its expenses in the assets without donor restrictions (unrestricted), regardless of the source of the funds for the expenditures. A transfer of expenses from the assets without donor restrictions (unrestricted) to the assets with donor restrictions (restricted) will be reported, if applicable, to match the restricted revenue with the restricted expenses. As of June 30, 2024, the amount of net assets with donor restrictions was \$0.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of 90 days or less, provided these financial instruments are not subject to LSF, Inc. investment policy. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Unconditional Promises to Give

Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give due in one year or more are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Revenue Recognition

Contributions - In accordance with ASC 958-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date receipt of funds or the date of a formal, unconditional pledge from known donors.

Unconditional promises to give cash and other assets to LSF, Inc. are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is actually received. Gifts received with donor stipulations that limit the use of the donated assets are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by LSF, Inc., net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Contracts and Grants - Revenue from cost-reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as receivable or an advance whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

Patient Service Revenue - Patient service revenue is recognized during the period in which LSF, Inc. is obligated to provide services and is reported at its estimated net realizable amount. LSF, Inc. provides patient services to patients covered by the Medi-Cal program. Billings for services under this program are included in patient service revenues, net of estimated retroactive adjustments for differences between the estimated amounts accrued, and interim and final settlements are reported in operations in the year of settlement.

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials, Equipment and Services

Materials and Equipment - Donations of materials and equipment are recorded as support at their estimated fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated materials and equipment to a specific purpose. Materials and equipment donated with explicit restrictions regarding their use are reported as restricted support.

Services - Under ASC 958-605-50, donated services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. LSF, Inc. receives various donated services from volunteers and service professionals. In the event LSF, Inc. does receive such in-kind contributions, estimated amounts would be reflected in the accompanying financial statements for donated services if an objective basis was available to measure the value of the service.

Functional Allocation of Expenses

The cost of providing LSF, Inc.'s programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies. The expenses that are allocated include (but are not limited to) salaries and wages, benefits, payroll taxes and professional services.

Accordingly, certain costs have been allocated to program services, management, and general or fundraising services. The functional classifications are defined as follows:

- Program service expenses consist of costs that are either directly or indirectly allocable to its stated mission and program.
- Support services general and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of LSF, Inc.
- Fundraising expenses are expensed as incurred, even though they may result in contributions received in future years. LSF, Inc. generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Fees for Operational Support

LSF, Inc., as the umbrella LSF, Inc., provides certain supplies and services and the guidelines, criteria, and standards to all affiliated operations, while the affiliates operate independently using core services from the following support units:

- Training, Clinical and Quality Management (TCQM);
- Accounting;
- Information Technology;
- Human Resources; and
- Development

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, LSF, Inc.'s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances; however, the actual results could differ from those estimates. Significant estimates made by management include but are not limited to, the adequacy of the allowance for losses on uncollectible contracts receivable and the recoverability of long-lived assets through future operations.

Income Tax Status

LSF, Inc. is a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Such revenues are derived primarily from governmental grants, contracts, and contributions and are not subject to federal or state income taxes. The entity does not pay any material excise taxes nor does it earn any unrelated business income. Therefore, no provision for taxes has been made.

GAAP provides accounting and disclosure guidance about positions taken by an LSF, Inc. in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the entity in its federal and state-exempt LSF, Inc. tax returns are more likely than not to be sustained upon examination. LSF, Inc. is subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after the tax returns are filed.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,984,919
Accounts and program receivable	1,042,509
Employee loans	300,682
Investments	<u>8,265,751</u>
Total	<u>\$ 11,593,861</u>

As of June 30, 2024, the financial assets available for general expenditures totaled \$11,593,861.

NOTE 3: INVESTMENTS

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3: INVESTMENTS (CONTINUED)

Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value.

The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 — Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 — Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments that trade infrequently and therefore have little or no price transparency are classified as Level 3.

LSF, Inc.'s financial instruments include primarily cash and cash equivalents, receivables, accounts payable, and accrued expenses. The entity uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practical to estimate such value:

Cash and cash equivalents — The carrying amount approximates fair value because of the short maturity of those instruments.

Receivable — The carrying amount of accounts receivable approximates fair value because of their short-term nature and historical collectability.

Accounts payable and accrued expenses — The carrying amount of accounts payable and accrued expenses approximates fair value because of the short-term nature of the obligations.

Marketable Securities

LSF, Inc. accounts for investments in marketable securities under ASC 958-320. In accordance with ASC 958-320, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

Investment income at June 30, 2024, was comprised of the following:

	<u>Amount</u>
Interest and dividend income	\$ 280,503
Unrealized loss on investments	518,183
Total	<u>\$ 798,686</u>

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3: INVESTMENTS (continued)

LSF, Inc. uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, the entity measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

LSF, Inc.'s investments measured at fair value on a recurring basis are summarized below:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 2,097,710	\$ 2,097,710	\$ -	\$ -
Equities and ETF's	1,246,353	1,246,353	-	-
Bonds	50,000	50,000	-	-
Mutual Funds	4,039,821	4,039,821	-	-
Fixed Income	809,969	809,969	-	-
Other	21,898	21,898	-	-
	<u>\$ 8,265,751</u>	<u>\$ 8,265,751</u>	<u>\$ -</u>	<u>\$ -</u>

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

NOTE 4: ACCOUNTS AND PROGRAM RECEIVABLES, NET

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts at June 30, 2024, was \$10,000.

The total accounts and program receivable, net as of June 30, 2024, was \$1,042,509.

NOTE 5: LAND, BUILDING AND EQUIPMENT, NET

Land, building and equipment at June 30, 2024 consisted of the following:

	<u>Cost</u>
Land	\$ 927,104
Building	5,583,464
Leasehold improvements	112,655
Vehicles	1,340,035
Equipment	42,335
	<u>8,005,593</u>
Less: accumulated depreciation	<u>(2,562,757)</u>
Land, building and equipment, net	<u>\$ 5,442,836</u>

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5: LAND, BUILDING AND EQUIPMENT, NET (CONTINUED)

Depreciation expense of land, building and equipment for the year ended June 30, 2024 was \$198,096.

NOTE 6: RIGHT OF USE ASSET – OPERATING LEASE

The LSF, Inc. recognizes and measures its lease in accordance with FASB ASC 842, *Leases*. The LSF, Inc. adopted the new standard on leases that establishes a right-of-use model (ROU) and requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. The LSF, Inc. is a lessee in one operating lease – its office space. The LSF, Inc. determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the term of an existing contract are changed. The LSF, Inc. recognizes a lease liability and a ROU asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the LSF, Inc. uses its incremental borrowing rate based on information available at the commencement date for the lease. The LSF, Inc.'s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The interest rate applied is 2.92% annually.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability. (i.e. present value of the remaining lease payments), plus unamortized initial direct costs, if any, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The LSF, Inc. has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the LSF, Inc. is reasonably certain to exercise. Lease cost associated with short-term leases are recognized on a straight-line basis over the lease term.

The LSF, Inc. decided to not continue in the current location after the end of the current lease. There were only few months or less than 1 year left on the lease term after June 30, 2024. Therefore, no present value calculation was needed.

As of June 30, 2024, the right of use asset – operating lease amount was \$255,056.

NOTE 7: PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of the year period. The amount of prepaid expenses at June 30, 2024 was \$28,305.

NOTE 8: SECURITY DEPOSIT

LSF, Inc. paid security deposits totaling \$23,746 which are held by the lessors of the office premises. The security deposits will be refunded to LSF, Inc. upon expiration of the lease.

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9: OTHER ASSETS – RETIREMENT MANAGEMENT ANNUITY

LSF, Inc. invested \$100,000 in an annuity in which some of the proceeds were given to a former CEO on an annual basis.

The amount of the annuity as of June 30, 2024 was \$129,957.

NOTE 10: ACCRUED EXPENSES

Accrued expense account pertains to accrued payroll and accrued vacation occurred but not paid as of June 30, 2024. The total accrued expense amount as of June 30, 2024 was \$675,311.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Operating Leases

LSF, Inc. is a party to two long-term non-cancelable operating lease agreements for its facilities with approximate monthly payments ranging from \$4,000 to \$8,500.

Office Lease: Airport Spectrum LAX

In 2016, LSF, Inc. entered into a 65-month lease agreement to rent premises with Airport Spectrum LAX, LLC for real property and improvements located at 5757 W. Century Blvd., Los Angeles, California with a base lease rate of \$4,797 per month. On November 9, 2021, LSF, Inc. extended their lease term for another 5 years. This lease term expires on January 31, 2027

Future annual minimum lease payments are as follows:

June 30, 2025	\$	71,677
June 30, 2026		73,828
January 31, 2027		43,810
	\$	<u>189,315</u>

Office Lease: Operating Engineers Local 3 Federal Credit Union

In 2004, LSF, Inc. entered into a month-to-month lease agreement to rent premises with Operating Engineers Local 3 Federal Credit Union for real property and improvements located at 828 Mahler Rd., Burlingame, California with a base lease rate of \$8,334 per month.

Total office rent expense for the year ended June 30, 2024 was \$399,169.

NOTE 12: ADVERTISING AND LEGAL

Advertising costs and legal services are expensed as incurred for the year ended June 30, 2024 were \$9,783 and \$18,500. Total advertising and legal expenses amounted to \$28,283.

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

The net assets of LSF, Inc. are typically comprised of amounts without donor restrictions and with donor restrictions. There were no net assets with donor restrictions as of June 30, 2024.

NOTE 14: CONCENTRATION OF RISKS

Financial instruments, which potentially subject LSF, Inc. to concentrations of credit risk, consist of cash, investment, and contracts receivable. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per institution. At June 30, 2024, LSF, Inc. had an uninsured cash bank balance of \$832,545.

LSF, Inc. also invests in money markets, equities, bonds, mutual funds, and other funds in U.S. financial institutions where they are measured at their net asset value. LSF, Inc. is potentially subject to concentration of credit risk in such investment securities. Currently, all of its investment securities are held at a financial institution which is a member of the Securities Investor Protection Corporation (SIPC). SIPC protects clients against the custodial risk of a member investment firm becoming insolvent by replacing missing securities and cash up to \$500,000, including up to \$250,000 in cash, per client in accordance with SIPC rules. The money market funds are comprised solely of investments in U.S. Treasury Bills which are backed by the full faith, credit, and taxing power of the United States. As a result, Treasury Bills are considered the safest investments in today's global financial markets. The LSF Inc.'s uninsured investments as of June 30, 2024 was \$5,401,489.

LSF, Inc. derives approximately 78% of its revenues from the state government, directly and indirectly. While each state program individually may not pose a threat of a severe impact, the group concentration on the state government as a whole might reasonably make LSF, Inc. vulnerable to financial risk in the event such state funding is materially decreased.

Government Grants

LSF, Inc. has received local, state, and federal funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under the terms of the grants and contracts, it is believed that any required reimbursements will not be material.

All of such grant agreements to which LSF, Inc. is currently a party are for fixed terms and expire on an annual basis. There can be no assurances that LSF, Inc. will be able to obtain future grant agreements as deemed necessary by management.

The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on LSF, Inc.'s financial position and results of operations. Historically, LSF, Inc. has successfully obtained all the grants it believed necessary to conduct its business.

NOTE 15: RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended June 30, 2024.

LIFE STEPS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 16: RECENT ACCOUNTING PRONOUNCEMENTS

ASU 2016-02

For lessees, any leases that are over 12 months in duration will need to be presented on the entity's statement of financial position as a right-to-use asset and corresponding liability for the obligation to pay rent. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional renewal periods if the lessee is reasonably certain to exercise an option to extend the lease. The present value should be calculated using the discount rate implicit in the lease (if determinable) or the lessee's incremental borrowing rate.

The asset will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. As of this report date, ASU 206-02 will be effective for fiscal years beginning after December 15, 2021. Early adoption is allowed.

NOTE 17: SUBSEQUENT EVENT

In accordance with ASC 855, subsequent events through July 11, 2025, the date of these financial statements were evaluated.

There were no other material subsequent events that required recognition or additional disclosure in these financial statements.