

SKILLS FOR LIVING, INC.

FINANCIAL STATEMENTS

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Skills For Living, Inc.

We have audited the accompanying statement of financial position of Skills For Living, Inc. (the "Organization"), as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 7 the accompanying financial statements have been restated to correct a misstatement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skills For Living, Inc., as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2010 (March 12, 2011 as to the effects of the restatement discussed in Note7)

SKILLS FOR LIVING, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

| | |
|-------------------------------|-------------------|
| Current: | |
| Cash | \$ 133,470 |
| Program income receivable | <u>39,530</u> |
| Total current assets | 173,000 |
| Restricted cash, scholarships | 8,000 |
| Deposits | <u>3,056</u> |
| Total assets | <u>\$ 184,056</u> |

LIABILITIES AND NET ASSETS

| | |
|--|-------------------|
| Current: | |
| Accrued expenses | \$ 4,284 |
| Deferred program income | <u>3,656</u> |
| Total current liabilities | 7,940 |
| Scholarships payable | <u>8,000</u> |
| Commitments and contingencies (Note 5) | |
| Net assets: | |
| Unrestricted | 156,450 |
| Temporarily restricted | <u>11,666</u> |
| Total net assets | <u>168,116</u> |
| Total liabilities and net assets | <u>\$ 184,056</u> |

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

SKILLS FOR LIVING, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------|---------------------|-----------------------------------|-------------------|
| Revenue: | | | |
| Public support: | | | |
| Grants received | \$ 81,022 | \$ 172,750 | \$ 253,772 |
| Contributions received | <u>78,738</u> | <u>-</u> | <u>78,738</u> |
| Total public support | 159,760 | 172,750 | 332,510 |
| Other revenue - program income | 38,662 | - | 38,662 |
| Other revenue - interest income | <u>171</u> | <u>-</u> | <u>171</u> |
| Total revenue | 198,593 | 172,750 | 371,343 |
| | | | |
| Program expenses: | | | |
| Game of Real Life | 104,543 | 69,013 | 173,556 |
| 20-20 Power Workshops | <u>139,469</u> | <u>92,071</u> | <u>231,540</u> |
| Total program expenses | 244,012 | 161,084 | 405,096 |
| | | | |
| Fund-raising expenses | 157 | - | 157 |
| Management and general | <u>5,654</u> | <u>-</u> | <u>5,654</u> |
| Total expenses (Note 2) | <u>249,823</u> | <u>161,084</u> | <u>410,907</u> |
| | | | |
| Change in net assets | (51,230) | 11,666 | (39,564) |
| Net assets at beginning of year | <u>207,680</u> | <u>-</u> | <u>207,680</u> |
| Net assets at end of year | <u>\$ 156,450</u> | <u>\$ 11,666</u> | <u>\$ 168,116</u> |

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

SKILLS FOR LIVING, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

| | |
|--|-------------------|
| Cash Provided by Operating Activities: | |
| Change in net assets | \$ (39,564) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Distribution of and adjustment to computer inventory | 54,000 |
| Change in cash as a result of changes in assets and liabilities: | |
| Accounts receivable | (23,234) |
| Restricted cash | (8,000) |
| Deposits | (3,056) |
| Scholarships payable | 2,000 |
| Accrued expense | 382 |
| Deferred program income | <u>3,656</u> |
| Net cash used by operating activities | <u>(13,816)</u> |
| Net decrease in cash and cash equivalents | (13,816) |
| Cash and cash equivalents at beginning of year | <u>147,286</u> |
| Cash and cash equivalents at end of year | <u>\$ 133,470</u> |
| Supplemental disclosure of cash flow information | |
| Interest expense paid | \$ - |

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

SKILLS FOR LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

(1) Summary of Significant Accounting Policies

The Organization

Skills For Living, Inc. (the "Organization"), was chartered as a nonprofit corporation on September 27, 2004 for the purpose of providing financial education and mentoring to low-income families in Houston, Texas. The Organization sponsors two main programs. The first program, Game of Real Life, is geared toward high school aged young adults. The program involves mentoring and role playing toward skill development in the fundamental choices one makes as one moves into adulthood and society. The second program, 20-20 Power Workshops, is a 9 month course for adults involving financial and career counseling with the stated goal of significantly increasing the participants' income level and net worth by the end of the course.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting.

Basis of Presentation

In accordance with FASB ASC 948-210-55-3, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Restricted funds are accounted for separately until the restrictions are released or the funds utilized within their restricted use.

Cash

For purposes of the statement of cash flows, the Organization considers all balances in demand depository accounts to be cash.

Program Income Receivable

Receivable balances outstanding relate to receivables from schools and individual students participating in the Game of Real Life program. No allowance for doubtful accounts was deemed necessary at June 30, 2010.

Federal Taxes

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and is classified as a public charity.

Grants

Grants are recorded at the later of approval by the Organization or when the recipients have satisfied the conditions required for the grant. The Organization had no grant commitments outstanding as of June 30, 2010.

Concentrations of Risk

The Organization is dependent on a relatively few individuals and other organizations for its support.

SKILLS FOR LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization's management to make estimates and assumptions that affect certain reported amounts of assets and disclosures. Accordingly, actual results could differ from those estimates.

Financial Instruments

The Organization's financial instruments include cash, receivables, payables, and accrued liabilities. The fair values of all financial instruments approximate carrying value because of the relatively short-term nature of these instruments.

(2) Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis as follows:

| | Game of Real Life | 20-20 Power Workshops | Fundraising | Management and General | Total |
|------------------------------|-------------------------|-----------------------------|---------------|---------------------------|-------------------|
| Personnel cost | \$ 95,127 | \$ 145,904 | \$ - | \$ - | \$ 241,031 |
| Office space and equipment | 18,345 | 18,345 | - | - | 36,690 |
| Technology costs | 35,522 | 43,086 | - | - | 78,608 |
| Materials and supplies | 9,499 | 5,689 | - | 221 | 15,409 |
| Accounting fees | - | - | - | 3,010 | 3,010 |
| Insurance and other expenses | 15,063 | 18,516 | 157 | 2,423 | 36,159 |
| | <u>\$ 173,556</u> | <u>\$ 231,540</u> | <u>\$ 157</u> | <u>\$ 5,654</u> | <u>\$ 410,907</u> |

(3) Donated Services and Materials

The Organization receives a significant amount of donated services from unpaid volunteers who assist as instructors, team leaders, and mentors for the Organization's programs and provide administrative help for the Organization's programs. No amount has been recorded in the financial statements, however, the estimated value of the donated services for the year ended June 30, 2010, is as follows:

| | Game of Real Life | 20-20 Power Workshops | Management and General |
|-------------------------|----------------------|--------------------------|---------------------------|
| Instructors and Mentors | \$ 211,902 | \$ 28,550 | \$ - |
| Administration | 26,550 | 34,969 | 3,849 |
| | <u>\$ 238,452</u> | <u>\$ 63,519</u> | <u>\$ 3,849</u> |

In addition to the value of volunteer time reflected in the summary above, Board members and personnel of the Organization provided approximately 1,896 hours of volunteer time.

SKILLS FOR LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2010

(3) Donated Services and Materials (continued)

During the year ended June 30, 2006, computer equipment valued at \$193,651 was donated to the Organization and was capitalized in the statement of financial position. As part of the Organization's charitable programs, computers are distributed to participants upon completion of certain of the Organization's financial and leadership training courses. All remaining computers were distributed or otherwise retired during the year ended June 30, 2010:

| | |
|--|-----------------|
| Balance June 30, 2009 | \$ 54,000 |
| Adjustment for nonworking computers and computers distributed during year ended 6/30/10 | <u>(54,000)</u> |
| Balance June 30, 2010 | <u>\$ -</u> |

(4) Related Party Transactions

During fiscal year 2010, the Organization utilized office space, equipment, and personnel of an entity controlled by a relative of the President of the Board of Directors. Charges of \$19,291 were paid by the Organization for the use of these services. During fiscal year 2010, the Organization moved into its own offices and began sub-leasing a portion of the office space to the related party at fair market rates. Reimbursements from the related party totaled \$7,242 in 2010.

(5) Commitments and Contingencies

During 2010, the Organization entered into a lease with a third party for its office facilities under a non-cancelable operating lease agreement. Rent expense was \$36,690 for the year ended June 30, 2010. Minimum lease payments due under the current operating lease are:

| | | |
|------------------------|----------------------|------------------|
| | Year Ending June 30, | |
| | 2011 | \$ 36,672 |
| | 2012 | 36,672 |
| | 2013 | 6,112 |
| | Thereafter | <u>-</u> |
| Total minimum payments | | <u>\$ 79,456</u> |

(6) Subsequent Events

Management has evaluated subsequent events through March 12, 2011, the date which the restated financial statements were available to be issued.

SKILLS FOR LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2010

(7) Restatement of Previously Issued Financial Statements

The Organization has restated its previously issued financial statements to reflect the correction of errors related to revenue recognized for contributions, grants and tuition revenue. The correction increased total revenue by \$41,498 with grants increasing by \$11,666, contributions by \$18,364 and tuition revenue by \$11,468.