



Life Steps Foundation
Annual Report 2012






A Message from our President and our CEO

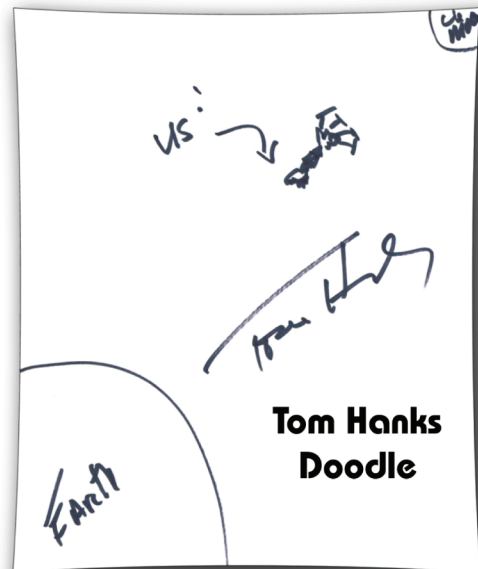
During FY 2011/2012, Life Steps Foundation has continued to move along its path to self-sufficiency by adding several new programs, engaging in new fundraising activities and further streamlining its operational efficiencies. As a result, we have been able to better fulfill our mission to meet the unmet needs of the neediest amongst us, while also maintaining fiscal responsibility and ensuring our ability to continue operations well into the future. All this despite a decrease in funding of more than 10% in the last several years.

Life Steps Foundation – The new era of self-sufficiency

Due to continuing budget cuts and the overall economic malaise, 2012 was another challenging year for all social service organizations. However, our recent change from a centralized organization to a decentralized operation of five affiliates operating more than 25 programs across the state of California has enabled us to secure our stability in these rough economic times.

Highlights of this year include:

-  Addition of three new programs in Santa Maria and San Luis Obispo for Personal Care, Homemaker, and Respite Services.
-  An online fund-raising auction: “Doodles for Disabilities,” in which celebrities including Jeff Goldblum, Tom Hanks, Blythe Danner and many others penned their own doodles for auction.
-  The completion of a business plan to launch a new social enterprise leveraging the LSF operating model projected to deliver revenue as early as FY 2014.
-  Addition of two new board members and one new advisory board member, and a joint commitment by our board to launch a new annual fundraising campaign.
-  The refinancing of Life Steps property assets, realizing considerable saving in loan interest.



Tom Hanks Doodle depicting the Apollo 13 Space Mission.

Despite the challenges we have all faced this year, Life Steps Foundation has managed to remain fiscally self-sufficient, operationally effective and socially impactful, giving us great hope for the future and our continued commitment to serving the unmet needs of the most challenged members of our community – the physically, mentally and developmentally disabled.

We deeply value your support in the coming years as we continue our efforts.

Sincerely,



Sue Horowitz
Board President



Virginia Franco
CEO

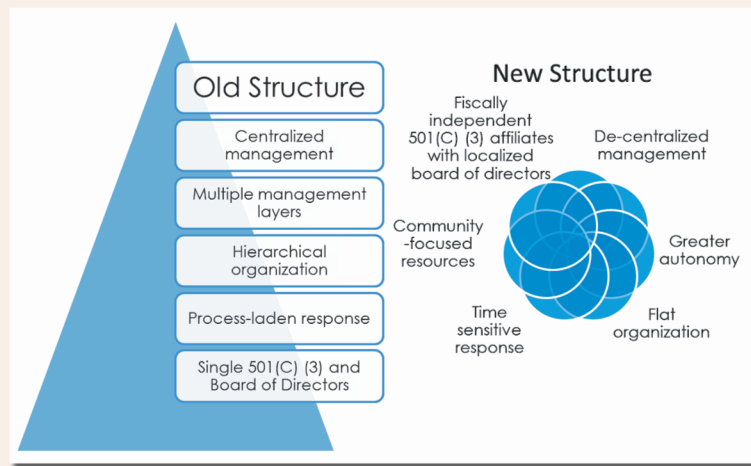
Our Model for Self Sufficiency

LSF Group Corporate Division (LSF Group)

In June 2008, Life Steps completed a four-year initiative to address the financial challenges of decreased funding for our services. We segmented our direct programs by service and geography, and we initiated their incorporation into independent 501(c)(3) Affiliates that adhere to contractual guidelines and standards of service established by LSF Group. The LSF Group Corporate Division provides all our Affiliates with critical back-office operations and strategic guidance including: Accounting, Payroll, Human Resources, Marketing and Development, Training and Clinical Quality Management and Information Technology.

This reduced overhead has enabled our Affiliates to focus all their efforts on building their programs and meeting the unmet needs of their clients.

Currently, LSF Group is comprised of the Corporate Division and three independent Affiliates and two Business Units. These Business Units are on track to become fully independent Affiliates within the next two years.





Our Affiliates

LSF Children & Family Services

Life Steps Foundation Children and Family Services (LSF CAFS) is a 501(c)(3) non-profit organization incorporated in July 2008 and run by local management, with administrative support provided by LSF Group. LSF CAFS provides services through referrals from various Regional Centers to children under three who have - or are at risk for - developmental disabilities.

Our services have expanded to include families referred by nine regional centers across northern, central and southern California. We currently have approximately 40 employees at our four offices serving about 350 families in their local communities. We provide activities that promote the development of language, motor, cognitive, social-emotional and self-help skills. We also support families in understanding how to work with their child by providing parent education and accessing community resources.

LSF CAFS Highlights:

-  Collaborated with Head Start in San Mateo to create a pre-school inclusion classroom.
-  Increased our staff by more than 25%
-  Completed our second annual silent auction fundraiser with more than 100 guests.



LSF Southern California Adult Services

Life Steps Southern California Adult Services (LSF SoCal) is a 501(c)(3) non-profit organization incorporated in July 2008 and run by local management, with administrative support provided by LSF Group. LSF SoCal serves over 300 clients in various programs throughout Southern California. The goal of providing these services is to maximize independence, support individual needs, ensure an individual's choice and assist that person in maintaining a desired quality of life. Services are provided on a one-to-one basis.



LSF SoCal also runs the Seaside Learning Center, a very popular center-based program that provides opportunities for social and cognitive learning, community awareness and friendship among people with disabilities.

We offer a range of curriculum activities, including: computer access and training, health and safety classes, nutrition, community gardening, arts and crafts and aerobics.

LSF SoCal Highlights:

✧ Thanksgiving and Christmas dinners were highlights for our clients, particularly those who do not have family members with which to spend the holidays. Holiday gifts were provided to all who attended. As always, the annual Haunted House in October was a big hit with clients, their families and staff.

✧ A Health and Resource Fair was held in cooperation with the Neighborhood Leadership Program.

✧ The holiday fundraising campaign was again a success including activities tied to the Long Beach Marathon.

LSF Central California Adult Services

Life Steps Central California Adult Service (LSF CCAS) is a 501(c)(3) non-profit organization incorporated in July 2008 and currently managed in tandem with local Affiliate leadership and LSF Group. Since 1993, LSF CCAS has provided in-home supportive living services and independent living skills for adults with physical and developmental disabilities. These programs help our clients by teaching them life skills, providing them with in-home assistance and supporting our clients to live independently in their own community. LSF CCAS runs programs in both San Luis Obispo and Santa Maria.

LSF CCAS Highlights:

✧ LSF CCAS was awarded three new grants in

- Homemaker Respite
- Personal Care Services
- Respite Care for Caregivers






Our Business Units

LSF Northern California Adult Services - Social Dynamics

Social Dynamics (LSF NCAS) is a center-based program for adults who have development disabilities and severe behavioral challenges. By providing intervention and education based on structuring a low-pressure environment rich in positive reinforcement, Social Dynamics provides the opportunity to learn appropriate techniques and decrease the participants' reliance on maladaptive behavior. Designed to serve the special needs of adults who require assistance and supervision, the center also provides community integration, safety and mobility training and transportation.





LSF NCAS Highlights:

-  Created a unique, self-sufficient, “earned income” mini store to promote healthy eating and drinking among our clients. The store pays for itself and enables us to reinvest into client-care programs.
-  Added a number of fundraising programs that included raffles, restaurant promotions and an in-house recycling program.
-  Doubled the total fundraising performance over the previous year with a dedicated donation drive.

LSF Santa Maria Wisdom Center

Life Steps Santa Maria Wisdom Center (LSF SMWC) is an Adult Day Health Care center that provides critical support for the frail elderly and disabled in Santa Barbara and San Luis Obispo counties. We serve infirmed adults, individuals with disabilities and seniors with Alzheimer's and related dementias. Established in 1999, LSF SMWC offers individuals and families in-home and community based educational and preventative alternatives to institutional care. Services at LSF SMWC include: physical, occupational and speech therapies, social services, counseling, nutritious meals, physical and mental activities and door-to-door transportation.

LSF SMWC Highlights:

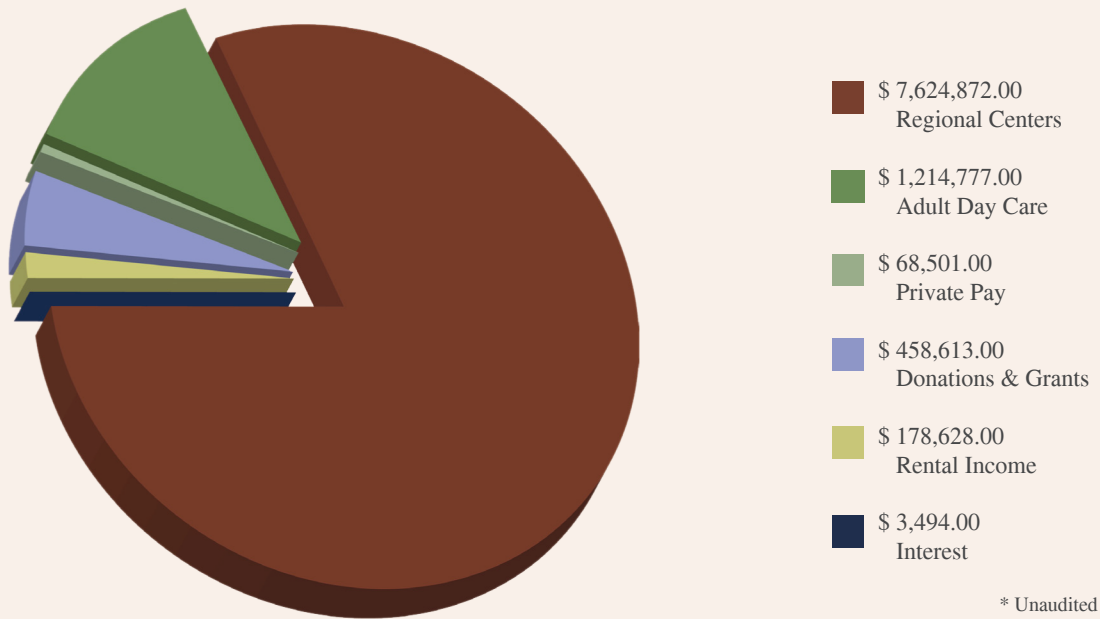
-  In 2011/12, SMWC faced a serious threat to its future when Medi-Cal (the California Medicaid program) funding for Adult Day Health Care Centers (ADHC's) services was eliminated by budget cuts. A determined effort across the State lead to legislation establishing a new source of funding with greater support from the federal government.
-  The ADHC became the Community Base Aging Services (CBAS) and the contracts were transferred to HMOs in lieu of the State. Through the tireless efforts of the staff at SMWC, the center is now almost at full-capacity and in FY 2013 will be seeking new facilities to accommodate its recent growth.



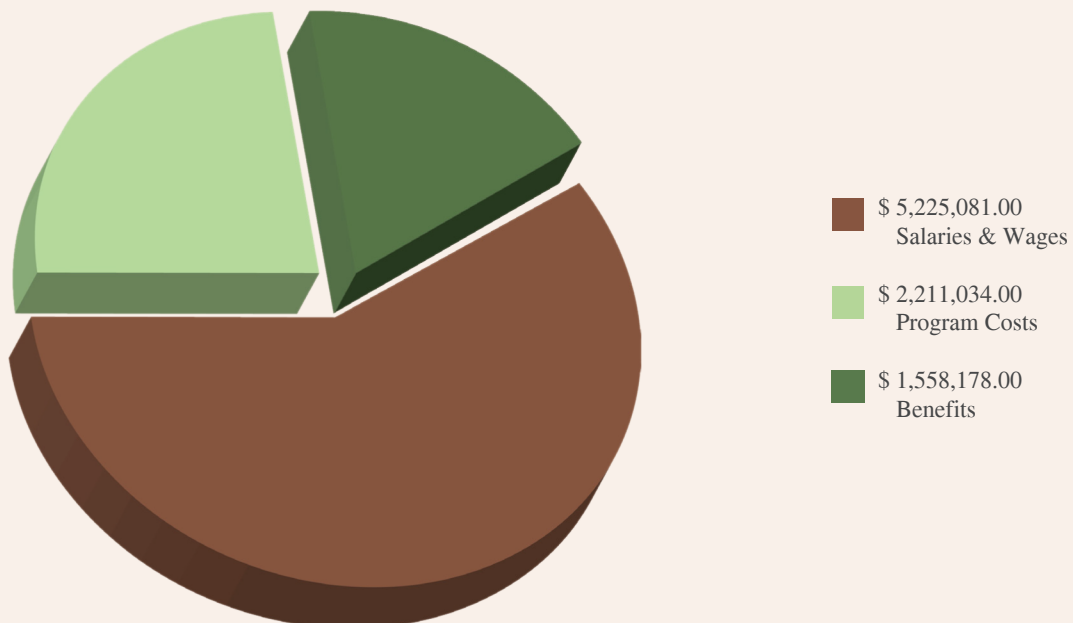
Our Financial Information

In FY 2011/2012, the combined revenue for all LSF Group Affiliates and Business Units was just over \$9.5 million. Expenses totaled over \$8.9 million, leaving an operational surplus of 5.8% despite a decrease in overall program revenue from FY 2010/2011, the self-sufficiency model allowed us to manage expenses successfully and maintain our fiscal stability.

LSF Revenue FY 2011 - 2012



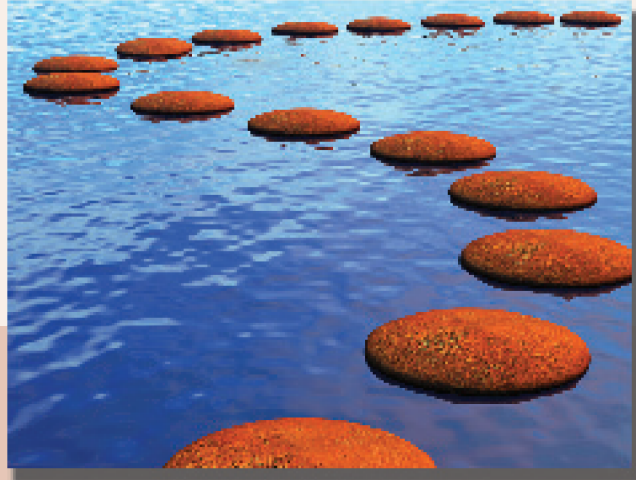
LSF Expenses FY 2011 - 2012



Our Impact - The Steps of Change

All of us need help taking some of the more challenging steps in life. At Life Steps, we help those with the greatest challenges. Not only do we help them take those steps comfortably, we give them the training, skills and confidence they need to perhaps take the next step on their own. When they do, we see the blossoming of a new, more independent, self-reliant and happier individual.

So, the next time you hear a toddler overcome a speech impediment, see a young man with developmental challenges takes a bus to his job, or experience the joy of an older adult who recognizes his son for the first time in years because his nutrition and medication are properly administered; that's when you fully understand the impact of our services.



Your Impact - How You Can Help

To make a contribution to our annual fundraising campaign, please visit: <http://tinyurl.com/lbfdonate>.
To volunteer or learn more, please contact us via email lsfsupport@lifestepsfoundation.org or call (800) 530-5433.
Website: www.lifestepsfoundation.org Facebook: www.facebook.com/lsfgroup

Our Board of Directors

Sue Horowitz, Board President, and president of SH Commercial Real Estate

Allen C. Haile, Director (Retired) of Community and Government
Relations California Polytechnic University, San Luis Obispo

Robert E. Allen, Chief Executive Officer, New Media, Intellectual Property & Outside Counsel Solutions

Victor Castillo, Vice President, Wells Fargo Bank

Erin Farrell, Special Assistant, The Gordy Company

Susan Chang, CEO LSF Children and Family Services

Kristine Engels, CEO of LSF SoCal Adult Services

Eugene J. Boykins, President/Senior Partner, The Boykins Business Group

Virginia Franco, Founder/CEO, Life Steps Foundation

Our Advisory Board

Matthew G. Fetui, Private Banker, AVP, Wells Fargo Bank.

Neal Frankle, CEO of Wealth Resources Group

Life Steps Foundation

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(800) 530-LIFE

www.lifestepsfoundation.org

The Life Steps Mission

Life Steps Foundation, Inc., is a fiscally responsible, culturally competent organization dedicated to meeting the health, psychological, and socioeconomic challenges of people throughout their life span.

About Life Steps

Life Steps Foundation is a diverse non-profit organization serving the needs of children, teens, adults and the elderly who have physical, developmental, and mental health disabilities. Since 1982, Life Steps has helped these individuals manage their well being, improve their ability to live independently and thereby enhance the overall quality of their lives.

Life Steps is a vibrant partnership of community service providers across California. Through our Affiliates and Business Units, we provide both in-home and center-based services to individuals that help equip them with the necessary skills to become productive and self-sufficient members of our communities.

Our Goal is simple: Meet unmet needs, foster independence and improve lives.



I would like to support the work of **Life Steps Foundation** and their programs that assist children, teens, adults and the elderly with developmental disabilities. I will:

- Donate by check.** Enclosed is my check made payable to Life Steps Foundation in the amount of:
 \$25 \$50 \$100 \$250 \$_____ (Any amount is appreciated)
- Donate by credit card:** Visa Mastercard American Express

Credit Card number: _____ Exp. Date: ____/____

Name on the card: _____ Security Code _____

Signature: _____

- Donate Online** by visiting: <http://tinyurl.com/lbfdonate>
- I'm interested in finding out more about how I can include Life Steps Foundation in my estate.
- I would like to volunteer, please contact me.

Name: _____

Address: _____

City: _____ State: _____ Zipcode: _____

Email: _____ Phone: _____

Please print, fill-out form and mail to:

Life Steps Foundation, 5839 Green Valley Drive, Suite 204, Culver City, CA 90230. Thank you!