LIFEMOVES

JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

LifeMoves

Independent Auditors' Report
and Consolidated Financial Statements

Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 25

Independent Auditors' Report

TO THE BOARD OF DIRECTORS
LIFEMOVES
Menlo Park, California

We have audited the accompanying consolidated financial statements of **LIFEMOVES**, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LifeMoves as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited LifeMoves' June 30, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
November 19, 2018

LifeMoves

Consolidated Statement of Financial Position

June 30, 2018 (with comparative totals for 2017)	2018	2017
Assets		
Cash and cash equivalents	$ 5,978,689	$ 6,498,730
Grants and other receivables, net	2,862,315	2,441,719
Investments	4,014,151	3,184,337
Prepaid expenses	209,491	97,086
Promises for future use of assets, net	319,045	332,397
Investment in partnerships	561,786	883,591
Other assets	21,989	62,665
Property and equipment, net	20,021,382	18,730,850
Total assets	$ 33,988,848	$ 32,231,375
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,978,658	$ 1,258,094
Accrued interest	311,902	298,336
Deferred revenue	1,169,953	121,233
Loans and notes payable	1,813,572	2,015,205
Forgivable advances	8,276,248	8,338,474
Total liabilities	13,550,333	12,031,342
Net Assets:		
Unrestricted	18,200,691	17,439,187
Temporarily restricted	2,237,824	2,760,846
Total net assets	20,438,515	20,200,033
Total liabilities and net assets	$ 33,988,848	$ 32,231,375

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Government grants and contracts	$ 13,226,032		$ 13,226,032	$ 12,445,895
Individual, corporate and foundation contributions	7,564,564	$ 576,498	8,141,062	8,934,983
In-kind donations, including contributed facilities	1,859,848		1,859,848	1,620,352
Client program fees	245,396		245,396	265,817
Special events, net of direct expenses of $54,522	448,778		448,778	280,909
Net investment income	251,706		251,706	236,996
Loss from investments in partnerships	(321,805)		(321,805)	(18,545)
Forgiven principal and interest	88,382		88,382	667,997
Other income	(6,236)		(6,236)	159,865
Net assets released from restrictions	1,099,520	(1,099,520)		
Net revenue and support	24,456,185	(523,022)	23,933,163	24,594,269
Expenses:				
Program services	19,011,395		19,011,395	16,663,879
Supporting services:				
Management and general	2,600,711		2,600,711	2,853,461
Development and fundraising	2,082,575		2,082,575	1,984,793
Total expenses	23,694,681		23,694,681	21,502,133
Change in Net Assets	761,504	(523,022)	238,482	3,092,136
Net Assets, beginning of year	17,439,187	2,760,846	20,200,033	17,107,897
Net Assets, end of year	$ 18,200,691	$ 2,237,824	$ 20,438,515	$ 20,200,033

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018					2017
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	Total
Salaries	$ 7,300,105	$ 1,246,763	$ 1,010,598	$ 2,257,361	$ 9,557,466	$ 8,509,894
Employee benefits	2,125,892	367,328	299,689	667,017	2,792,909	2,338,205
Payroll taxes	681,403	111,076	90,703	201,779	883,182	822,768
Total salaries and related expenses	10,107,400	1,725,167	1,400,990	3,126,157	13,233,557	11,670,867
Client assistance	2,518,175				2,518,175	2,318,620
Consulting services	333,484	32,893	98,839	131,732	465,216	505,053
Donated goods and services	496,201				496,201	779,187
Equipment and furniture	419,155	14,393	11,090	25,483	444,638	82,471
Equipment leases	49,854	6,837	3,914	10,751	60,605	141,004
Food related items	1,276,508	711	278	989	1,277,497	722,264
Insurance	147,080	20,580	5,415	25,995	173,075	184,692
Interest expense		52,998		52,998	52,998	59,093
Maintenance, repairs, supplies	553,844	18,524	14,023	32,547	586,391	837,268
Office expense	89,612	33,719	14,533	48,252	137,864	86,117
Professional services	32,144	293,647	21,778	315,425	347,569	435,264
Property taxes	205,885	13,178	9,413	22,591	228,476	153,062
Rent	46,279	129,552	103,641	233,193	279,472	263,726
Rent (donated use)	64,596				64,596	182,276
Communications	738,115	49,903	242,706	292,609	1,030,724	895,981
Temporary services		5,347	13,972	19,319	19,319	15,418
Travel and mileage	255,274	6,568	8,983	15,551	270,825	174,193
Utilities	553,455	24,352	19,482	43,834	597,289	518,570
Other	271,686	148,969	98,391	247,360	519,046	739,725
Total expenses before depreciation and amortization	18,158,747	2,577,338	2,067,448	4,644,786	22,803,533	20,764,851
Depreciation and amortization	852,648	23,373	15,127	38,500	891,148	737,282
	$ 19,011,395	$ 2,600,711	$ 2,082,575	$ 4,683,286	$ 23,694,681	$ 21,502,133

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Cash Flows

Year Ended June 30, 2018 (with comparative totals for 2017)	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	$ 238,482	$ 3,092,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	891,148	737,282
Gain from disposal of asset	(11,508)	
In-kind vehicle donation	(8,000)	
Principal and accrued interest forgiven on forgivable advances	(88,382)	(667,997)
Realized and unrealized (gains) losses on investments	(192,213)	(200,800)
Loss from investments in partnerships	321,805	18,545
Amortization of promises for future use of assets	13,352	12,452
(Increase) decrease in assets:		
Grants and other receivables	(524,473)	803,140
Prepaid expenses	(112,405)	(62,711)
Other assets	144,553	(40,676)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	207,417	104,782
Accrued interest	39,721	(30,661)
Deferred revenue	(37,346)	(864,443)
Net cash provided by operating activities	882,151	2,901,049
Cash Flows from Investing Activities:		
Purchases of property and equipment	(583,279)	(2,586,466)
Sale of property and equipment	20,321	
Purchases of investments	(1,325,651)	(1,958,414)
Proceeds from sale of investments	688,050	1,131,122
Net cash used by investing activities	(1,200,559)	(3,413,758)
Cash Flows from Financing Activities:		
Advances received for property renovation included in deferred revenue		2,038,086
Payments on loans and notes payable	(201,633)	(229,584)
Net cash (used) provided by financing activities	(201,633)	1,808,502
Net Change in Cash and Cash Equivalents	(520,041)	1,295,793
Cash and Cash Equivalents, beginning of year	6,498,730	5,202,937
Cash and Cash Equivalents, end of year	$ 5,978,689	$ 6,498,730
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 11,426	$ 13,862
Non-cash Investing and Financing Activities		
Deferred revenue transferred to forgivable advances		$ 3,391,532
Difference between purchase price and fair market value of Redwood Family House purchase	$ 1,086,066	
Property and equipment included in accounts payable	$ 513,147	

See accompanying notes to consolidated financial statements.

Note 1 – Nature of Activities:

LifeMoves, formerly InnVision Shelter Network, a California public benefit corporation, was formed in 2012 with the merger of two nonprofit organizations with similar missions: InnVision: the Way Home (founded in 1973) and Shelter Network (founded in 1987).

The LifeMoves mission is to provide interim housing and supportive services for homeless families and individuals to rapidly return to stable housing and achieve self-sufficiency. LifeMoves serves homeless people in San Mateo and Santa Clara Counties at 17 sites between Daly City and San Jose, and provided shelter to approximately 700 clients each night during fiscal 2018. LifeMoves also manages non-site based programs, including rapid rehousing programs enabling families and individuals to either avoid homelessness or to quickly return to a housing solution; motel voucher programs moving unsheltered homeless families into emergency housing quickly prior to finding a longer-term solution to their needs; and outreach and health care programs reaching out to homeless people living on the streets and bringing services directly to them.

LifeMoves programs create long-term solutions to homelessness and motivate our clients to achieve self-sufficiency and permanent housing. Each individual or family receives supportive services through an assigned Case Manager who is knowledgeable about local community and governmental resources. LifeMoves provides access to employment training, resume preparation, employment counseling, access to physical and behavioral health resources and services, life skills training, children-centric programs, rental assistance, housing savings incentives, and follow-up services.

LifeMoves is highly susceptible to downward cycles in local, county, state, and federal funding availability. Ironically, upticks and improvements in the local economy actually create more homelessness due to skyrocketing rents and the concomitant loss of affordable residential housing stock. These variables in demand for services and government funding force LifeMoves to rely increasingly on our successful private sector fundraising activities.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting

The financial statements of LifeMoves have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

b. Basis of Consolidation

The consolidated financial statements include the accounts of LifeMoves and its wholly owned subsidiaries, Vendome, LLC, and Crossroads LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

c. Basis of Presentation

LifeMoves reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Temporarily Restricted Net Assets - net assets that are limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of LifeMoves.

Permanently Restricted Net Assets - the portion of net assets that are limited by donor-imposed restrictions that neither expire by passage of time nor can be removed by actions of LifeMoves. LifeMoves does not have any permanently restricted net assets.

d. Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less and does not include cash held in investment accounts

e. Grants and Other Receivables

Receivables are stated at the amount management expects to collect on the outstanding balances. Receivables are due from federal, state and local governments and agencies and others and are all expected to be collected in the year ending June 30, 2018. No allowance was recorded at year end as all receivables were deemed to be collectable as of June 30, 2018.

f. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. These investments are subject to market fluctuations and are exposed to various risks such as interest rate, market, and credit risk. Realized and unrealized gains and losses are included in the Consolidated Statement of Activities and Changes in Net Assets. Direct investment expenses, consisting of trustee fees and management fees, are recorded as a reduction of investment income.

g. Promises for Future Use of Assets

Promises for future use of assets represent the future value of land and facilities usage that is being donated to LifeMoves. The promises have been recorded at the estimated fair value of the asset utilized, discounted to its net present value. When the promises were made, revenue was recognized for the present value of the gifts and each year the discount is amortized and contribution revenue is recognized. Each year, donated revenue and donated expense are recognized for the value of the usage for that year.

h. Investments in Partnerships

Investments in limited partnerships are accounted for using the equity method of accounting. LifeMoves, a co-general partner with another not-for-profit organization, is not deemed to control the partnerships. The investment is recorded at cost and is adjusted for LifeMoves' proportionate share of undistributed earnings or losses. Profits and losses are allocated in accordance with the partners' interest percentages. Because the limited partners' losses are limited to its investment, the limited partners' equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. All remaining losses are allocated to the general partners. Any subsequent income allocable to the limited partners is allocated to the general partners first until the general partners' share of that income offsets the losses not previously recognized by the limited partners.

i. Fair Value Measurements

LifeMoves classifies its financial instruments measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs as described below. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 values are based on unadjusted quoted prices in active markets for identical instruments. Level 2 values are based on significant observable market inputs, such as quoted prices for similar instruments or unobservable inputs that are corroborated by market data. Level 3 values are based on unobservable inputs that are not corroborated by market data. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying instrument.

j. Property and Equipment

Land, building and equipment are stated at cost or, if donated, at their approximate fair value as of the date of donation. All acquisitions in excess of $5,000 and all expenditures that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 30 years.

k. Forgivable Advances

Forgivable advances represent loans that can be forgiven if certain conditions are met. Management believes that the conditions are all attainable. The liability is recorded at the value of the loan. When a condition is met that results in all or part of the loan principal and/or interest being forgiven, the liability is reduced and revenue is recognized.

l. Revenue Recognition

Grant and contract revenues from federal and other governmental agencies are reported as unrestricted revenue when qualifying expenses are incurred under the grant and contract agreements on a cost-reimbursement basis.

Contributions, including unconditional promises to give, are recorded as revenue at their fair value in the period the contribution or promise is received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Contributions are considered to be unrestricted unless specifically restricted by the donor. Conditional contributions are not recorded until the conditions on which they depend are substantially met and the promises become unconditional.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by LifeMoves. LifeMoves volunteers assisted in fund-raising and special projects throughout the year. The value of volunteer time is not reflected in the accompanying financial statements since it does not meet the above criteria.

Client program fees and special event revenue are recognized as revenue when the programs and special events occur.

Deferred revenue represents cash received in advance of expenditures.

m. Income Tax Status

LifeMoves is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and from California income tax under Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision is made for current or deferred income taxes. LifeMoves has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

Management evaluated LifeMoves' tax positions and concluded that LifeMoves had maintained its tax exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, LifeMoves is generally no longer subject to income tax examination by the U.S. federal and California tax authorities for years prior to 2015 and 2014, respectively.

n. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services based on factors such as total costs incurred or relative payroll expense.

o. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

p. Reclassifications

Certain 2017 accounts have been reclassified to conform to the 2018 financial statement presentation. These reclassifications have no impact on net assets or changes in net assets for the year ended June 30, 2017.

q. Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with LifeMoves' consolidated financial statements for the year end June 30, 2017 from which the summarized information was derived.

r. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the ASU is first applied. LifeMoves is currently evaluating the impact the amendments in the ASU will have on its financial statements.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842)*. The new ASU will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than 12 months. The ASU will be effective for non-public business entities for fiscal years beginning after December 15, 2019 with early application permitted. LifeMoves is currently evaluating the impact this guidance will have on its financial statements.

s. Subsequent Events

LifeMoves has evaluated subsequent events from June 30, 2018 through November 19, 2018, the date these consolidated financial statements were available to be issued. There are no material subsequent events that required recognition or disclosure in the consolidated financial statements.

Note 3 - Investments:

Investments, at fair value at June 30, 2018, are as follows:

	Total	Level 1	Level 2
Money market funds	$ 249,591	$ 249,591	
U.S. equity securities	1,587,996	1,587,996	
International equity securities	1,193,167	1,193,167	
U.S. Treasury bills and bonds	146,291		$ 146,291
Corporate bonds	771,870		771,870
Other assets	65,236	65,236	
Total investments	$ 4,014,151	$ 3,095,990	$ 918,161

There are no investments measured at Level 3 as of June 30, 2018.

Net investment income for the year ended June 30, 2018 is comprised of the following:

Net realized and unrealized gains	$	192,213
Dividends and interest		92,808
Investment management fees		(33,315)
Total net investment income	$	251,706

Note 4 - Promises for Future Use of Assets:

LifeMoves has a long-term lease agreement, which originated in 2002, with Mid-Peninsula Housing Coalition (MPHC) to use certain land to operate the transitional and emergency housing facility at First Step for Families for 30 years. Under the lease, LifeMoves has the right, title, and interest to the improvements on the land. LifeMoves is required to pay electricity, water, and other utilities for the use of the facility and is also responsible for all maintenance and repairs necessary to maintain the land and building in good condition. The fair market value of the future rent at the date the promise was originally made was discounted at 7%, the applicable rate in effect at the time of the gift.

Amounts receivable under the agreement with First Step for Families as of June 30, 2018 are as follows:

Receivable in less than one year	$	35,401
Receivable in one to five years		152,729
Receivable in more than five years		420,817
		608,947
Less discounts to net present value		(289,902)
Total promises for future use of assets, net	$	319,045

Note 5 - Investments in Partnerships:

In furtherance of its tax-exempt purpose, LifeMoves invested in two limited partnerships that own and manage apartments for survivors of domestic violence and their children. These properties are subject to low-income housing tax credit regulations and compliance requirements under IRC Section 42. LifeMoves has the option to acquire the properties at the end of their respective tax credit compliance periods in accordance with terms of the purchase agreements. Following is information as of June 30, 2018 relating to these partnerships in which LifeMoves is a co-general partner with Caritas Housing, another non-profit organization.

Partnership Name	% Interest		Investment
HomeSafe Santa Clara L.P.	.05%	$	(136,477)
HomeSafe San Jose L.P.	.05%		698,263
Total investment in partnerships		$	561,786

Total assets for HomeSafe Santa Clara L.P. and HomeSafe San Jose L.P. were approximately $2,559,000 and $4,626,000, respectively, and total liabilities were approximately $2,826,000 and $3,222,000, respectively, according to the partnerships' latest available unaudited financial statements as of June 30, 2018.

The general partners have agreed to advance amounts necessary to cover operating deficits by making an interest free loan to the partnership, subject to certain limitations, payable out of net cash flows. Advances receivable from these partnerships of approximately $104,000 are included in other assets.

The general partners have agreed to indemnify the limited partners for the tax benefits expected by the limited partners, subject to certain limitations.

Note 6 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation are as follows at June 30, 2018:

Land	$ 5,721,211
Buildings and improvements	21,747,765
Leasehold improvements	2,180,060
Equipment, furniture, and software	292,125
Vehicles	496,067
Construction in process	462,889
Less accumulated depreciation	(10,878,735)
Total property and equipment, net	$ 20,021,382

Depreciation and amortization expense for the year ended June 30, 2018 was $891,148.

As discussed in Note 7 and 8, many properties serve as collateral for notes and loans payable and forgivable advances. Many of those properties are restricted as to use and cannot be sold or transferred, except through consent of note holders of those properties. The cost of land and buildings included in the table above that are restricted as to use is approximately $27,468,976. Net book value of those assets is approximately $17,853,708 at June 30, 2018.

Note 7 - Loans and Notes Payable

Loans and notes payable consist of the following as of June 30, 2018:

Loan payable to the David & Lucile Packard Foundation, (original amount $3,000,000), collateralized by a deed of trust on certain property in San Jose, California. The loan bears interest at 1% per year. Principal payments of $50,408 and accrued interest are due quarterly, commencing in October 2015 through July 2023. The loan contains certain covenants requiring certain consents of the loan holder and the maintaining of certain asset balances for debt performance.	$	1,058,572
Hester Avenue		
Note payable to Housing Trust of Santa Clara County, (original amount $130,000), collateralized by the Hester Avenue property. The note bears no interest. Principal is due upon maturity in December 2060.		130,000
Note payable to the City of San Jose, (original amount $425,000), collateralized by the Hester Avenue property. The 55 year note bears no interest and requires annual payments of the lesser of principal on a 30 year amortization or 50% of net cash flow of the property. No payments are required should there be negative cash flow. All remaining principal is due upon maturity in May 2061.		425,000
Graduate House		
Note payable to the County of Santa Clara, (original amount $200,000), collateralized by the Graduate House property. The 30 year note bears interest at 5.75% per year. Principal and accrued interest are due upon maturity in February 2025.		200,000
Total		1,813,572
Less current portion		(201,633)
Long-term portion of loans and notes payable	$	1,611,939

Future annual principal payments on the above notes and loans are as follows:

Year Ending June 30,		
2019	$	201,633
2020		201,633
2021		201,633
2022		201,633
2023		201,633
Thereafter		805,407
Total future payments	$	1,813,572

The above notes and loans generally contain provisions restricting the use of the property to such purposes as shelters for low income families or transitional housing. If defaults occur relating to those restrictions or other covenants, the holder of the debt could accelerate payment, among other options available.

Note 8 - Forgivable Advances:

Forgivable advances represent funds that have been advanced to LifeMoves in the past, primarily to refurbish various properties. These advances are forgivable as long as LifeMoves maintains the properties as emergency, transitional, or longer term supportive housing for homeless and low-income individuals and families in San Mateo and Santa Clara Counties. As of June 30, 2018, forgivable advances consisted of the following:

Community Development Block Grant for transitional housing and support services:	
County of San Mateo	$ 592,506
City of San Mateo	66,967
HOME Investment Partnership:	
County of San Mateo	233,333
City of San Mateo	166,367
State of California:	
Family Crossroads	1,000,000
Mid-Peninsula Coalition Belle Haven, Inc.	593,500
City of San Jose:	
Villa	624,709
Julian Street Inn	860,000
Montgomery Street Inn	700,000
City of Mountain View	
Graduate House	245,697
County of Santa Clara	
Steven’s House	52,186
County of San Mateo	
First Step for Families	5,450
Haven Family House	906,500
Elsa Segovia Center/Clara-Mateo Alliance Shelter	87,500
Family Crossroads	2,141,533
Total forgivable advances	$ 8,276,248

Haven Family House	
Note payable to the County of San Mateo Housing and Community Development, partially collateralized by a deed of trust on the Haven Family House and partially unsecured. The 30 year note, maturing in August 2029, bears no interest and requires no principal payments. If LifeMoves is still operating the facility at maturity, the principal will be forgiven at that time.	$ 906,500
Note payable to Mid-Peninsula Coalition Belle Haven, Inc., collateralized by a second deed of trust on the Haven Family House. The 30 year note, maturing in May 2029, bears no interest and requires no principal payments, unless there is a default relating to obligations or restrictions on the use of the property.	593,500
First Step for Families	
Notes payable to the County of San Mateo, (original amount $751,800), and the City of San Mateo, (original amount $143,500), for Community Development Block Grants and to the HOME Investment Partnership for the County of San Mateo (original amount $540,000), amount and the City of San Mateo, (original amount $356,500), collateralized by a deed of trust on the property. The 30 year notes, maturing in March 2032, bear interest at 3% per year. Payments are due annually in the amount of 50% of the net surplus cash generated by the property for the year. If there is no net surplus cash, no payment is necessary. If the use of the facility does not change, one-thirtieth (1/30) of the principal will be forgiven for each full year of operation, along with accrued interest.	817,506
Note payable to the County of San Mateo, (original amount $25,000), unsecured. The 20 year note, maturing in August 2021, bears interest at 3% per year and requires no principal payments. If the use of the facility does not change, 25% of the principal will be forgiven at the end of each five-year period and all accrued interest will be forgiven at maturity.	5,450

Villa	
Note payable to the City of San Jose, collateralized by deed of trust on the property. The note, which matures in July 2029, bears no interest, and requires no principal payments. However, if the approved use of the property changes or sale of the property occurs prior to July 2029, interest will retroactively increase to 3% per year from the date of recordation of the deed of trust. If conditions do not change relating to the property, the principal will be forgiven upon maturity.	624,709
Julian Street Inn	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 55 year note, which matures in August 2062, bears no interest and requires no principal payments. If the use of the facility does not change, the principal will be forgiven upon maturity.	860,000
Montgomery Street Inn	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 30-year note, which matures in December 2025, bears no interest and requires no principal payments. The principal will be forgiven upon maturity. However, if changes in the use of the property occur, interest will increase to 3% per year from the date of change in use of the property, and the principal and interest shall become immediately due.	700,000
Graduate House	
Note payable to the City of Mountain View, collateralized by a deed of trust on the property, subordinated to another deed of trust on the property. The 33-year note, which matures in September 2034, bears no interest and requires no principal payments. The principal will be forgiven upon maturity if there are no violations with the terms of the related regulatory agreement and other agreements.	245,697
Steven’s House	
Note payable to the County of Santa Clara, (original amount $130,000), unsecured. The 10-year note, maturing in February 2021, bears no interest. If the use of the facility does not change, principal of $13,000 is forgivable each year.	52,186

<u>Elsa Segovia Center/Clara-Mateo Alliance Shelter</u>	
Note payable to County of San Mateo, (original amount $350,000), unsecured. The 20-year note, which matures in December 2021, bears interest at 3% per year. If the use of the facility does not change, 25% of the principal and accrued interest will be forgiven every 5 years through the maturity date. The center was closed in April 2011. LifeMoves is working with the County of San Mateo to have the note forgiven.	87,500
<u>Family Crossroads</u>	
Note payable to the County of San Mateo (original amount $250,000), secured by a deed of trust on the property. The 30-year note, maturing in September 2046, bears no interest. If the use of the facility does not change, principal will be forgiven at a rate of 1/30th of the initial principal loan amount for each full year of operations.	241,667
Note payable to the County of San Mateo (original amount $2,141,533), secured by a deed of trust on the property. The 30-year note, maturing in September 2046, bears no interest. If the use of the facility does not change, principal will be forgiven at a rate of 10% of the total note amount for each three years over the life of the loan.	2,141,533
Note payable to the State of California (original amount $1,000,000), secured by a deed of trust on the property. The 7-year note, maturing in September 2026, bears simple interest at 3% per year. If the use of the facility does not change, all principal and interest will be forgiven at the end of the initial note term.	1,000,000
Total principal portion of advances	8,276,248
Less current portion	(79,727)
Long-term portion of forgivable advances	$ 8,196,521

Principal and interest of approximately $88,000 was forgiven during the year ended June 30, 2018.

The forgivable advances generally contain restrictions on the use of the related property for certain purposes that meet the objectives of the note holder and LifeMoves. Some of the notes require compliance with related agreements and contain other requirements for LifeMoves. If such restrictions are not maintained or if other requirements are not followed, the note holder has various remedies that could occur, including, for some, requiring payment of the advance and/or interest. Management believes that noncompliance is remote and that compliance, and, therefore, forgiveness of the advances, is reasonable to anticipate.

Future forgiveness of principal on the advances are estimated as follows (presuming there are no events of default or changes in the uses of the facilities):

Year Ending June 30,	
2019	$ 79,727
2020	293,880
2021	79,727
2022	79,727
2023	374,016
Thereafter	7,369,171
Total future forgiveness	$ 8,276,248

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2018 consist of the following:

Mid-Peninsula Housing Coalition	$ 319,045
Graduate House	70,209
Police Department Funding	187,160
Sequoia Healthcare LVN	66,644
Google App – mobile technology platform	32,852
Google Tablets	591,041
Connect	810,073
Other time and purpose restrictions	160,800
Total temporarily restricted net assets	$ 2,237,824

Net assets of $1,099,520 were released from donor restrictions during the year ended June 30, 2018 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors.

Note 10 - Donated Goods and Services:

Donated legal services of approximately $81,000, donated food of approximately $1,224,000, donated goods of approximately $504,000, and contributed facilities of approximately $51,000 were recorded as revenues and expenses for the year ended June 30, 2018.

Note 11 - Retirement Plan:

LifeMoves has a retirement plan that covers all full-time employees with one year of service in which they have worked 3 months, and who are at least 18 years of age. The plan allows employees to defer up to a maximum of $18,000 of their earned wages. The plan also allows for a discretionary contribution up to 3% of the employees' wages with an additional matching contribution equal to the first 2% of the employee contribution. The employer retirement plan contribution for the year ended June 30, 2018 was $ 105,841.

Note 12 - Operating Leases:

LifeMoves has non-cancelable operating leases for its administrative offices, certain facilities and for equipment located at various locations. Rental expense under these leases for the year ended June 30, 2018 was approximately $272,671.

The lease for LifeMoves' main office in Menlo Park, California commenced in July 2013 and runs for 10 years. For the year ended June 30, 2018, LifeMoves' rent was $18,514 per month and increases each year up to $21,989 per month for the tenth year. In addition, LifeMoves, has agreed to reimburse its landlord for tenant improvements in the amount of $2,448 per month for the life of the lease.

Future minimum lease payments under operating leases that have remaining terms as of June 30, 2018 are as follows:

Years Ending June 30,	Facilities	Equipment	Total
2019	$ 275,639	$ 15,260	$ 290,899
2020	283,688	14,525	298,213
2021	290,657	13,964	304,621
2022	284,319	13,232	297,551
2023	293,242		293,242
Total future payments	$ 1,427,545	$ 56,981	$ 1,484,526

Note 13 - Commitments and Contingencies:

LifeMoves has received multi-year cost-reimbursement grants from the U.S. Department of Housing and Urban Development and other state and local government agencies and has entered into regulatory agreements, the terms of which require resources to be used in accordance with said agreements, which includes operating methods, rental charges, length of stay and other matters. Amounts received from the funding agencies may be required to be repaid to the agencies if not used for the purposes for which they are intended. No provision has been made for any liabilities that may arise from special audits that may be performed by these government agencies. LifeMoves believes that it has been in compliance with all such agreements.

In connection with the paying off of a mortgage secured by the Villa property in June 2009, LifeMoves received a conditional grant from the City of San Jose of $578,240. The grant agreement established new guidelines on the maximum income levels of new tenants through 2064.

Clients at LifeMoves' emergency and transitional shelters are not required to pay rent. LifeMoves requests that its clients deposit a portion of their earning into a Housing Account. The Housing Account may be used to offset damages to the facilities or other costs, but is generally returned to the client when they exit the LifeMoves' facility. At June 30, 2018, LifeMoves held approximately $114,000 of participant funds in a Wells Fargo bank account. These funds are included in accounts payable and accrued expenses on the Consolidated Statement of Financial Position.

Note 14 - Concentrations of Risk:

LifeMoves, is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support and contributions. The continued growth and well-being of LifeMoves is contingent upon successful achievement of its long-term revenue-raising goals.

LifeMoves has defined its financial instruments, which are potentially subject to risk, as cash, cash equivalents, receivables, investments, promises for future use of assets, investments in partnerships, loans and notes payable and forgivable advances.

At times, LifeMoves has cash deposits in financial institutions in excess of federally insured limits. Receivables are due from various sources, including federal, state and local governments. Investments are diversified as described in Note 3. Promises for future use of assets are due from a nonprofit organization and described in Note 4. Investments in partnerships relate to two partnerships in which LifeMoves is a co-general partner as discussed in Note 5. Loans and notes payable and forgivable advances are due to various lenders and include restrictions as described in Notes 7 and 8.

Note 15 - Property Acquisition:

On September 12, 2017, LifeMoves completed the purchase of Redwood Family House (RFH), located at 110 Locust Street, Redwood City, California from Mid-Peninsula Housing Coalition Belle Haven, Inc. (Mid-Pen). The purchase price for the property was $1.00. Prior to the purchase of RFH by LifeMoves, Mid-Pen worked with government lenders to obtain the forgiveness of outstanding loans on RFH; therefore, LifeMoves purchased the property free of debt. However, as a condition of the sale, LifeMoves executed a Declaration of Restrictive Covenants which binds LifeMoves or any subsequent owner of RFH to "use RFH as transitional housing serving extremely low income and homeless households". Prior to the purchase of RFH, LifeMoves had operated the facility as a family shelter under a rental agreement with Mid-Pen. Therefore, the purchase of RFH did not affect the ongoing operation of the facility.