LIFEMOVES

JUNE 30, 2019

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

LifeMoves

Independent Auditors' Report
and Consolidated Financial Statements

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, 2019, 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.

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, 2019, 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, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As described in Note 2, LifeMoves adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Hood & Strong LLP

San Jose, California
November 12, 2019

LifeMoves

Consolidated Statement of Financial Position

June 30, 2019 (with comparative totals for 2018)	2019	2018
Assets		
Cash and cash equivalents	$ 5,781,009	$ 5,978,689
Grants and other receivables, net	4,616,731	2,862,315
Investments	4,718,239	4,014,151
Prepaid expenses	220,434	209,491
Promises for future use of assets, net	304,727	319,045
Investment in partnerships	457,564	561,786
Other assets	160,689	21,989
Property and equipment, net	19,616,294	20,021,382
Total assets	$ 35,875,687	$ 33,988,848
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,898,154	$ 1,978,658
Accrued interest	416,179	311,902
Deferred revenue	1,107,616	1,169,953
Loans and notes payable	1,611,939	1,813,572
Forgivable advances	8,187,367	8,276,248
Total liabilities	13,221,255	13,550,333
Net Assets:		
Without donor restrictions	18,800,118	18,200,691
With donor restrictions	3,854,314	2,237,824
Total net assets	22,654,432	20,438,515
Total liabilities and net assets	$ 35,875,687	$ 33,988,848

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Government grants and contracts	$ 14,642,192		$ 14,642,192	$ 13,226,032
Individual, corporate and foundation contributions	9,927,770	$ 2,499,200	12,426,970	8,141,062
In-kind donations, including contributed facilities	2,082,828		2,082,828	1,859,848
Client program fees	241,991		241,991	245,396
Special events, net of direct expenses of $272,335	406,572		406,572	448,778
Net investment income	342,571		342,571	251,706
Loss from investments in partnerships	(104,222)		(104,222)	(321,805)
Forgiven principal and interest	113,407		113,407	88,382
Other income	30,525		30,525	(6,236)
Net assets released from restrictions	882,710	(882,710)	-	-
Net revenue and support	28,566,344	1,616,490	30,182,834	23,933,163
Expenses:				
Program services	23,045,431		23,045,431	19,011,395
Supporting services:				
Management and general	2,513,550		2,513,550	2,600,711
Development and fundraising	2,407,936		2,407,936	2,082,575
Total expenses	27,966,917		27,966,917	23,694,681
Change in Net Assets	599,427	1,616,490	2,215,917	238,482
Net Assets, beginning of year	18,200,691	2,237,824	20,438,515	20,200,033
Net Assets, end of year	$ 18,800,118	$ 3,854,314	$ 22,654,432	$ 20,438,515

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019 (with comparative totals for 2018)

	2019					2018
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	Total
Salaries	$ 8,978,907	$ 1,290,222	$ 1,229,988	$ 2,520,210	$ 11,499,117	$ 9,557,466
Employee benefits	2,656,989	389,579	372,981	762,560	3,419,549	2,792,909
Payroll taxes	859,750	119,429	112,804	232,233	1,091,983	883,182
Total salaries and related expenses	12,495,646	1,799,230	1,715,773	3,515,003	16,010,649	13,233,557
Client assistance	2,383,710			-	2,383,710	2,518,175
In-kind client assistance	337,716			-	337,716	496,201
Consulting services	455,024	44,356	63,838	108,194	563,218	465,216
Equipment and furniture	537,654	1,284	1,626	2,910	540,564	102,976
Equipment leases	49,666	1,879	2,379	4,258	53,924	60,605
Food related items	1,718,771	127	161	288	1,719,059	1,277,497
Insurance	167,484	11,928	4,659	16,587	184,071	173,075
Interest expense	129,223	10,953		10,953	140,176	52,998
Maintenance, repairs, supplies	1,101,372	7,758	9,822	17,580	1,118,952	928,052
Office expense	95,208	26,834	12,824	39,658	134,866	137,864
Professional services	233,564	381,555	6,730	388,285	621,849	463,814
Property taxes	219,689	1,134	779	1,913	221,602	228,476
Rent	136,904	79,379	100,506	179,885	316,789	279,472
Rent (donated use)	35,402			-	35,402	64,596
Communications	388,738	13,340	236,531	249,871	638,609	664,272
Temporary services		19,125	23,556	42,681	42,681	19,319
Travel and mileage	400,630	5,136	12,275	17,411	418,041	270,825
Utilities	570,598	12,756	16,152	28,908	599,506	597,289
Computer related hardware and software	553,279	9,990	147,324	157,314	710,593	366,451
Other	108,006	67,473	34,055	101,528	209,534	402,803
Total expenses before depreciation and amortization	22,118,284	2,494,237	2,388,990	4,883,227	27,001,511	22,803,533
Depreciation and amortization	927,147	19,313	18,946	38,259	965,406	891,148
Total expenses as shown on the consolidated statement of activities and change in net assets	23,045,431	2,513,550	2,407,936	4,921,486	27,966,917	23,694,681
Direct benefit to participants of special events			272,335		272,335	250,709
Total expenses	$ 23,045,431	$ 2,513,550	$ 2,680,271	$ 4,921,486	$ 28,239,252	$ 23,945,390

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Cash Flows

Year Ended June 30, 2019 (with comparative totals for 2018)	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ 2,215,917	$ 238,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	965,406	891,148
Gain from disposal of asset		(11,508)
In-kind vehicle donation	(14,000)	(8,000)
Realized and unrealized gains on investments	(240,536)	(192,213)
Loss from investments in partnerships	104,222	321,805
Amortization of promises for future use of assets	14,318	13,352
Principal and accrued interest forgiven on forgivable advances	(113,407)	(88,382)
(Increase) decrease in assets:		
Grants and other receivables	(1,754,416)	(524,473)
Prepaid expenses	(10,943)	(112,405)
Other assets	(138,700)	144,553
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(94,255)	207,417
Accrued interest	128,803	39,721
Deferred revenue	(62,337)	(37,346)
Net cash provided by operating activities	1,000,072	882,151
Cash Flows from Investing Activities:		
Purchases of property and equipment	(532,567)	(583,279)
Sale of property and equipment		20,321
Purchases of investments	(1,762,853)	(1,325,651)
Proceeds from sale of investments	1,299,301	688,050
Net cash used by investing activities	(996,119)	(1,200,559)
Cash Flows from Financing Activities:		
Payments on loans and notes payable	(201,633)	(201,633)
Net cash used by financing activities	(201,633)	(201,633)
Net Change in Cash and Cash Equivalents	(197,680)	(520,041)
Cash and Cash Equivalents, beginning of year	5,978,689	6,498,730
Cash and Cash Equivalents, end of year	$ 5,781,009	$ 5,978,689
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 9,830	$ 11,426
Non-cash Investing and Financing Activities		
Difference between purchase price and fair market value of Redwood Family House purchase		$ 1,086,066
Property and equipment included in accounts payable	$ 13,751	$ 513,147

See accompanying notes to consolidated financial statements.

Note 1 – Nature of Activities:

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. The organization provided shelter to approximately 850 clients each night during fiscal 2019. LifeMoves also manages non-site based programs, including a drop-in center serving homeless people living on the street; safe parking programs serving people residing in their vehicles; 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, 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 two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions - net assets that are not restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Net Assets With Donor Restrictions - net assets that are limited by donor-imposed restrictions. LifeMoves' net assets with donor restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions of LifeMoves. LifeMoves does not have any net assets with donor restrictions that are permanent in nature.

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, 2019. LifeMoves has not recorded an allowance, as all receivables were deemed to be collectable as of June 30, 2019.

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. Certain expenditures in excess of $5,000 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 revenue without donor restrictions 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. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions 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 2016 and 2015, 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. Those costs not directly identifiable to a program or supporting service are accumulated in cost centers and are allocated using an appropriate allocation base, such as actual time incurred, which serves as the basis for payroll related benefits or square footage, which serves as the basis for utilities and communication costs. Other administrative costs are allocated on the basis of total costs incurred for that program or supporting service.

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. 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, 2018 from which the summarized information was derived.

q. Recent Accounting Pronouncements

Adopted

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. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain prior year information as permitted by the ASU.

Pronouncements effective in the future

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, 2020 with early application permitted. LifeMoves is currently evaluating the impact this guidance will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for fiscal years beginning after December 15, 2018. LifeMoves is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

r. Subsequent Events

LifeMoves has evaluated subsequent events from June 30, 2019 through November 12, 2019, 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 - Liquidity and Availability of Resources:

LifeMoves' financial assets at June 30, 2019 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	$ 5,781,009
Grants and other receivables, net	4,616,731
Investments	4,718,239
Total	15,115,979
Less amounts not available to be used within one year:	
Net assets with donor restrictions – purpose restrictions	2,904,314
Client housing deposits	123,089
Cash restrictions relating to loan payable	1,710,714
Financial assets available to meet general expenditures over the next twelve months	$ 10,377,862

LifeMoves' cash flows fluctuate during the year due to the timing of its contributions and pledges received. To manage business cycles, LifeMoves targets the maintenance of cash reserves in an amount equivalent to 6 -12 months' operating expenses.

Note 4 - Investments:

Investments, at fair value at June 30, 2019, are as follows:

	Total	Level 1	Level 2
Money market funds	$ 54,571	$ 54,571	
Certificates of deposit	119,365	119,365	
U.S. equity securities	2,141,632	2,141,632	
International equity securities	1,368,270	1,368,270	
U.S. Treasury bills and bonds	147,003		$ 147,003
Corporate bonds	791,452		791,452
Other assets	95,946	95,946	
Total investments	$ 4,718,239	$ 3,779,784	$ 938,455

There are no investments measured at Level 3 as of June 30, 2019.

Net investment income for the year ended June 30, 2019 is comprised of the following:

Net realized and unrealized gains	$	240,536
Dividends and interest		145,791
Investment management fees		(43,756)
Total net investment income	$	342,571

Note 5 - 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, 2019 are as follows:

Receivable in less than one year	$	36,435
Receivable in one to five years		157,673
Receivable in more than five years		379,437
		573,545
Less discounts to net present value		(268,818)
Total promises for future use of assets, net	$	304,727

Note 6 - 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, 2019 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%	$ (216,717)
HomeSafe San Jose L.P.	.05%	674,281
Total investment in partnerships		$ 457,564

Total assets for HomeSafe Santa Clara L.P. and HomeSafe San Jose L.P. were approximately $2,431,000 and $4,432,000, respectively, and total liabilities were approximately $4,432,000 and $3,183,000, respectively, according to the partnerships' unaudited financial statements as of June 30, 2019.

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 grants and other receivables.

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

Note 7 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation are as follows at June 30, 2019:

Land	$ 5,721,211
Buildings and improvements	21,747,765
Leasehold improvements	2,729,663
Equipment, furniture, and software	426,107
Vehicles	638,829
Construction in process	196,859
	31,460,434
Less accumulated depreciation	(11,844,140)
Total property and equipment, net	$ 19,616,294

Depreciation and amortization expense for the year ended June 30, 2019 was $965,406.

As discussed in Note 8 and 9, 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 $27,469,000. Net book value of those assets is approximately $17,116,000 at June 30, 2019.

Note 8 - Loans and Notes Payable:

Loans and notes payable consist of the following as of June 30, 2019:

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. LifeMoves was in compliance with the covenants at June 30, 2019.	$ 856,939
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	1,611,939
Less current portion	(201,633)
Long-term portion of loans and notes payable	$ 1,410,306

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

Year Ending June 30,	
2020	$ 201,633
2021	201,633
2022	201,633
2023	201,633
2024	50,407
Thereafter	755,000
Total future payments	$ 1,611,939

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 9 - Forgivable Advances:

Forgivable advances represent funds that have been advanced to LifeMoves, 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, 2019, forgivable advances consisted of the following:

Community Development Block Grant for transitional housing and support services:	
County of San Mateo	
First Step for Families	$ 325,780
Family Crossroads	225,000
City of San Mateo – First Step for Families	62,184
HOME Investment Partnership:	
County of San Mateo – First Step for Families	216,668
City of San Mateo – First Step for Families	154,483
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	38,814
County of San Mateo	
First Step for Families	5,000
Haven Family House	906,500
Elsa Segovia Center/Clara-Mateo Alliance Shelter	87,500
Family Crossroads	2,141,532
Total forgivable advances	$ 8,187,367

<u>Haven Family House</u>	
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
<u>First Step for Families</u>	
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) 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.	759,115
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.	5,000

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.	38,814

<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) for Community Development Block Grants, 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.	225,000
Note payable to the County of San Mateo (original amount $2,141,532), 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.	2,141,532
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	8,187,367
Less current portion	(294,251)
Long-term portion of forgivable advances	$ 7,893,116

Principal and interest of approximately $113,000 was forgiven during the year ended June 30, 2019.

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,	
2020	$ 294,251
2021	80,098
2022	171,298
2023	280,880
2024	1,066,727
Thereafter	6,294,113
Total future forgiveness	$ 8,187,367

Note 10 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2019 consist of the following:

Donated building	$ 370,616
Expansion of outreach services	120,707
Behavioral health for teens and young adults	107,729
Outreach for at risk families	1,024,141
Computers for teens and young adults	503,917
Case management for post graduate clients	638,504
Gift cards for client assistance	138,700
Time restrictions	950,000
Total net assets with donor restrictions	$ 3,854,314

Net assets of $882,710 were released from donor restrictions during the year ended June 30, 2019 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors.

Note 11 - Donated Goods and Services:

Donated legal services of approximately $34,000, donated food of approximately $1,669,000, donated goods of approximately $359,000, and contributed facilities of approximately $21,000 were recorded as revenues and expenses for the year ended June 30, 2019.

Note 12 - Retirement Plan:

LifeMoves has a retirement plan that covers all full-time and part-time employees who have worked 3 months and are at least 18 years of age. The plan allows employees to defer up to the amount allowable under current income tax regulations. Employees who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. LifeMoves may make discretionary employer matching contributions. The employer retirement plan contribution for the year ended June 30, 2019 was $125,419.

Note 13 - 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, 2019 was approximately $317,000.

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, 2019, LifeMoves' rent was $19,162 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, 2019 are as follows:

Years Ending June 30,	Facilities	Equipment	Total
2020	$ 283,688	$ 47,928	$ 331,616
2021	290,657	47,690	338,347
2022	284,319	26,480	310,799
2023	293,242	7,920	301,162
Total future payments	$ 1,151,906	$ 130,018	$ 1,281,924

Note 14 - 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 earnings 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, 2019, LifeMoves held approximately $123,000 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.

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.

Note 15 - 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 4. Promises for future use of assets are due from a nonprofit organization and described in Note 5. Investments in partnerships relate to two partnerships in which LifeMoves is a co-general partner as discussed in Note 6. Loans and notes payable and forgivable advances are due to various lenders and include restrictions as described in Notes 8 and 9.