LIFEMOVES

JUNE 30, 2020

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **LIFEMOVES** which comprise the consolidated statement of financial position as of June 30, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
November 13, 2020

LifeMoves

Consolidated Statement of Financial Position

June 30, 2020 (with comparative totals for 2019)	2020	2019
Assets		
Cash and cash equivalents	$ 13,152,670	$ 5,781,009
Grants and other receivables, net	4,820,654	4,616,731
Investments	4,881,775	4,718,239
Prepaid expenses	253,096	220,434
Promises for future use of assets, net	289,375	304,727
Investment in partnerships	292,763	457,564
Other assets	67,239	160,689
Property and equipment, net	18,941,371	19,616,294
Total assets	$ 42,698,943	$ 35,875,687

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	$ 2,814,639	$ 1,898,154
Accrued interest	458,950	416,179
Deferred revenue	1,037,232	1,107,616
Loans and notes payable	1,410,306	1,611,939
Forgivable advances	10,814,516	8,187,367
Total liabilities	16,535,643	13,221,255
Net Assets:		
Without donor restrictions	23,903,778	18,800,118
With donor restrictions	2,259,522	3,854,314
Total net assets	26,163,300	22,654,432
Total liabilities and net assets	$ 42,698,943	$ 35,875,687

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Government grants and contracts	$ 18,160,503		$ 18,160,503	$ 14,642,192
Individual, corporate and foundation contributions	16,053,263	$ 1,300,158	17,353,421	12,426,970
In-kind donations, including contributed facilities	1,451,419		1,451,419	2,082,828
Client program fees	226,054		226,054	241,991
Special events, net of direct expenses of $241,755	739,714		739,714	406,572
Net investment income	201,054		201,054	342,571
Loss from investments in partnerships	(164,801)		(164,801)	(104,222)
Forgiven principal and interest	323,775		323,775	113,407
Other income	193,346		193,346	30,525
Net assets released from restrictions	2,894,950	(2,894,950)	-	-
Net revenue and support	40,079,277	(1,594,792)	38,484,485	30,182,834
Expenses:				
Program services	29,382,132		29,382,132	23,045,431
Supporting services:				
Management and general	2,844,581		2,844,581	2,513,550
Development and fundraising	2,748,904		2,748,904	2,407,936
Total expenses	34,975,617		34,975,617	27,966,917
Change in Net Assets	5,103,660	(1,594,792)	3,508,868	2,215,917
Net Assets, beginning of year	18,800,118	3,854,314	22,654,432	20,438,515
Net Assets, end of year	$ 23,903,778	$ 2,259,522	$ 26,163,300	$ 22,654,432

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020					2019
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	Total
Salaries	$ 12,525,963	$ 1,486,492	$ 1,413,488	$ 2,899,980	$ 15,425,943	$ 11,499,117
Employee benefits	3,274,391	388,049	384,656	772,705	4,047,096	3,419,549
Payroll taxes	1,138,510	135,300	134,117	269,417	1,407,927	1,091,983
Total salaries and related expenses	16,938,864	2,009,841	1,932,261	3,942,102	20,880,966	16,010,649
Client assistance	4,720,882			-	4,720,882	2,383,710
In-kind client assistance	278,050			-	278,050	337,716
Consulting services	474,273	96,086	137,317	233,403	707,676	563,218
Equipment and furniture	215,608	131	166	297	215,905	540,564
Equipment leases	100,462	1,790	2,266	4,056	104,518	53,924
Food related items	1,371,068	16,397	2,177	18,574	1,389,642	1,719,059
Insurance	180,575	12,235	15,491	27,726	208,301	184,071
Interest expense	73,197	5,146		5,146	78,343	140,176
Maintenance, repairs, supplies	937,851	12,343	15,628	27,971	965,822	1,118,952
Office expense	83,028	13,804	8,679	22,483	105,511	134,866
Professional services	578,088	361,399	69,698	431,097	1,009,185	621,849
Property taxes	140,486	5,944	(750)	5,194	145,680	221,602
Rent	185,279	83,450	105,661	189,111	374,390	352,191
Communications	527,225	36,288	193,372	229,660	756,885	638,609
Temporary services	14,677	9,900	69,820	79,720	94,397	42,681
Travel and mileage	422,720	2,431	7,907	10,338	433,058	418,041
Utilities	568,532	13,178	16,686	29,864	598,396	599,506
Computer related hardware and software	517,484	35,643	116,579	152,222	669,706	710,593
Other	55,566	102,904	23,443	126,347	181,913	209,534
Total expenses before depreciation and amortization	28,383,915	2,818,910	2,716,401	5,535,311	33,919,226	27,001,511
Depreciation and amortization	998,217	25,671	32,503	58,174	1,056,391	965,406
Total expenses as shown on the consolidated statement of activities and change in net assets	29,382,132	2,844,581	2,748,904	5,593,485	34,975,617	27,966,917
Direct benefit to participants of special events			241,755	241,755	241,755	272,335
Total expenses	$ 29,382,132	$ 2,844,581	$ 2,990,659	$ 5,835,240	$ 35,217,372	$ 28,239,252

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Cash Flows

Year Ended June 30, 2020 (with comparative totals for 2019)	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 3,508,868	$ 2,215,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,056,391	965,406
Loss from disposal of asset	46,916	
In-kind vehicle donation	(10,500)	(14,000)
Realized and unrealized gains on investments	(112,925)	(240,536)
Loss from investments in partnerships	164,801	104,222
Amortization of promises for future use of assets	15,352	14,318
Principal and accrued interest forgiven on forgivable advances	(323,775)	(113,407)
(Increase) decrease in assets:		
Grants and other receivables	(203,923)	(1,754,416)
Prepaid expenses	(32,662)	(10,943)
Other assets	93,450	(138,700)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	902,128	(94,255)
Accrued interest	72,295	128,803
Deferred revenue	(70,384)	(62,337)
Net cash provided by operating activities	5,106,032	1,000,072
Cash Flows from Investing Activities:		
Purchases of property and equipment	(416,583)	(532,567)
Proceeds from sale of property and equipment	13,056	
Purchases of investments	(1,483,342)	(1,762,853)
Proceeds from sale of investments	1,432,731	1,299,301
Net cash used by investing activities	(454,138)	(996,119)
Cash Flows from Financing Activities:		
Proceeds from loans and notes payable	2,921,400	
Payments on loans and notes payable	(201,633)	(201,633)
Net cash provided (used) by financing activities	2,719,767	(201,633)
Net Change in Cash and Cash Equivalents	7,371,661	(197,680)
Cash and Cash Equivalents, beginning of year	5,781,009	5,978,689
Cash and Cash Equivalents, end of year	$ 13,152,670	$ 5,781,009
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 3,907	$ 9,830
Non-cash Investing Activities:		
Property and equipment included in accounts payable	$ 14,357	$ 13,751

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 operates 17 facilities from Daly City to San Jose. These include ten shelters, a drop-in center, and several permanent supportive housing sites. In addition, LifeMoves administers a broad range of complementary programs such as safe parking sites, rapid re-housing and motel voucher programs, veterans support services, homelessness prevention and emergency assistance programs, and outreach and health care programs reaching out to homeless people living on the streets and bringing services directly to them. The organization provided shelter to approximately 1,000 clients each night during fiscal 2020.

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. We are seeing skyrocketing increases in homelessness in our community, even as local tax revenues are negatively impacted by the economic downturn and health emergency. 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, 2020. LifeMoves has not recorded an allowance, as all receivables were deemed to be collectable as of June 30, 2020.

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 Consolidated 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 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

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.

The 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

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 that are met in the same period the award is recognized are reported as increases in net assets without donor restrictions. Otherwise, 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. Conditional gifts as of June 30, 2020 amounted to approximately $4,700,000.

LifeMoves accounts for its grants and contracts revenue as contributions, unless there are terms in the agreements that would require recognition in accordance with the guidance for contracts with customers. For the year ending June 30, 2020, none of the grants and contracts were accounted for as contracts with customers. LifeMoves' grants and contracts that are cost reimbursement awards are considered conditional contributions and revenue is recognized as qualifying expenditures are incurred.

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 2017 and 2016, 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, 2019 from which the summarized information was derived.

q. Recent Accounting Pronouncements

Adopted

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. LifeMoves adopted this ASU on a modified prospective basis as of July 1, 2019 as management believes the standard improves the usefulness and understandability of LifeMoves' financial reporting. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statements or disclosures.

LifeMoves adopted ASU 2014-09, *Revenue from Contract with Customers* (Topic 606), as amended, as of July 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way LifeMoves recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a modified retrospective basis.

Pronouncement 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, 2021 with early application permitted. LifeMoves is currently evaluating the impact this guidance will have on its consolidated financial statements.

r. Subsequent Events

LifeMoves has evaluated subsequent events from June 30, 2020 through November 13, 2020, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the consolidated financial statements, except for the ongoing impact of the COVID-19 pandemic as discussed in Note 14, and the event discussed below.

In September 2020, LifeMoves and the City of Mountain View received a grant from the State of California under the Homekey program to build and operate a new temporary housing facility in Mountain View. The grant of $9.95 million will cover the purchase of land and the installation of the modular housing and administrative units. The grant also includes $2.4 million in operating subsidies for the first 18 months of the operation of the new facility. The capital costs also will be supported by contributions from private donors.

LifeMoves has also secured commitments from the City of Mountain View, the County of Santa Clara, and private donors to support the first 5 years of the operations cost of the facility. The facility will consist of 88 individual units and 12 family units. We expect that the Mountain View facility will begin receiving clients in December 2020 and be fully operational by March 2021.

Note 3 - Liquidity and Availability of Resources:

LifeMoves' financial assets at June 30, 2020 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	$ 13,152,670
Grants and other receivables, net	4,820,654
Investments	4,881,775
Total	22,855,099
Less amounts not available to be used within one year:	
Net assets with donor restrictions – purpose restrictions	2,259,522
Client housing deposits	197,964
Cash restrictions relating to loan payable	338,827
Financial assets available to meet general expenditures over the next twelve months	$ 20,058,786

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, 2020, are as follows:

	Total	Level 1	Level 2
Money market funds	$ 591,297	$ 591,297	
U.S. equity securities	2,319,387	2,319,387	
International equity securities	859,164	859,164	
U.S. Treasury bills and bonds	154,697		$ 154,697
Corporate bonds	866,777		866,777
Other assets	90,453	90,453	
Total investments	$ 4,881,775	$ 3,860,301	$ 1,021,474

Note 5 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation are as follows at June 30, 2020:

Land	$ 5,721,211
Buildings and improvements	21,747,765
Leasehold improvements	2,503,526
Equipment, furniture, and software	316,760
Vehicles	613,690
Construction in process	112,180
	31,015,132
Less accumulated depreciation	(12,073,761)
Total property and equipment, net	$ 18,941,371

Depreciation and amortization expense for the year ended June 30, 2020 was $ 1,056,391.

As discussed in Notes 6 and 7, 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 $16,378,920 at June 30, 2020.

Note 6 - Loans and Notes Payable

Loans and notes payable consist of the following as of June 30, 2020:

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.	$	655,306
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		1,410,306
Less current portion		(201,633)
Long-term portion of loans and notes payable	$	1,208,673

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

Year Ending June 30,		
2021	$	201,633
2022		201,633
2023		201,633
2024		50,407
2025		-
Thereafter		755,000
Total future payments	$	1,410,306

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 7 - 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, 2020, forgivable advances consisted of the following:

Community Development Block Grant for transitional housing and support services:	
County of San Mateo	$ 517,387
City of San Mateo	57,400
HOME Investment Partnership:	
County of San Mateo	200,001
City of San Mateo	142,600
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	25,443
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	1,927,379
U.S. Small Business Administration	
Paycheck Protection Program	2,921,400
Total forgivable advances	$ 10,814,516

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.	700,721
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

<u>Villa</u>	
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
<u>Julian Street Inn</u>	
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
<u>Montgomery Street Inn</u>	
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
<u>Graduate House</u>	
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
<u>Steven's House</u>	
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.	25,443

Elsa Segovia Center/Clara-Mateo Alliance Shelter	
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
Family Crossroads	
Note payable to the County of San Mateo (original amount $250,000), 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.	216,667
Note payable to the County of San Mateo (original amount $250,000), 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 10% of the total note amount for each three years over the life of the loan.	1,927,379
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

LifeMoves	
Note payable to Boston Private Bank & Trust (original amount $2,921,400) under the Paycheck Protection Program from the U.S. Small Business Administration. The 2-year note, maturing in April 2022, bears simple interest at 1% per year. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains payroll levels. LifeMoves believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.	2,921,400
Total principal portion of advances	10,814,516
Less current portion	(3,001,498)
Long-term portion of forgivable advances	$ 7,813,018

LifeMoves entered into two loan agreements with the County of Santa Clara on June 1, 2020 to fund construction costs that will expand capacity at the Villa and Georgia Travis House shelters. Upon completion of construction, which is expected in March 2021, the loans will convert to 10 year notes payable, maturing in March 2031. As of June 30, 2020, there is no loan or forgivable advance recognized under these agreements. The notes will bear interest at 3% per year, requiring no principal payments. If conditions do not change to the properties, the principal and interest will be forgiven upon maturity. The County of Santa Clara will loan up to $430,321 and $509,660 for capital improvements at the Georgia Travis House and Villa shelters, respectively.

Principal and interest of $294,251 was forgiven during the year ended June 30, 2020, on the forgivable advances, plus an additional amount forgiven of $29,524 on notes payable for a total forgiveness of $323,775.

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,	
2021	$ 3,001,498
2022	171,298
2023	280,880
2024	1,066,727
2025	66,727
Thereafter	6,227,386
Total future forgiveness	$ 10,814,516

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2020 consist of the following:

Donated building	$ 350,944
Expansion of housing for two Santa Clara Sites	960,385
Computers for teens and young adults	419,153
Case management for post graduate clients	133,790
Gift cards for client assistance	45,250
Time restrictions	350,000
Total net assets with donor restrictions	$ 2,259,522

Net assets of $2,894,950 were released from donor restrictions during the year ended June 30, 2020 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors.

Note 9 - Donated Goods and Services:

Donated legal services of approximately $11,000, donated food of approximately $1,129,000, donated goods of approximately $288,000, and contributed facilities of approximately $23,000 were recorded as revenues and expenses for the year ended June 30, 2020.

Note 10 - 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, 2020 was $276,221.

Note 11 - 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, 2020 was approximately $338,000 for facilities and approximately, $105,000 for equipment.

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, 2020, LifeMoves' rent was $19,833 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, 2020 are as follows:

Years Ending June 30,	Facilities	Equipment	Total
2021	$ 290,657	$ 54,252	$ 344,909
2022	284,319	33,042	317,361
2023	293,242	9,711	302,953
Total future payments	$ 868,218	$ 97,005	$ 965,223

Note 12 - 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, 2020, LifeMoves held approximately $197,964 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 13 - 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. Investments in partnerships relate to two partnerships in which LifeMoves is a co-general partner. Loans and notes payable and forgivable advances are due to various lenders and include restrictions as described in Notes 6 and 7.

Note 14 - Impact of the COVID-19 Pandemic on Operations:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state and local governmental agencies declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc.

LifeMoves has implemented many changes in procedures and operations to reduce the risk of an outbreak impacting our clients and staff. To increase social distancing, LifeMoves has reduced capacity by 30-50% at individual shelters by moving many clients to motel rooms. Capacity has not been changed at our family shelters, where the families occupy individual units that enable social distancing. LifeMoves has worked with the authorities in both Santa Clara and San Mateo counties to implement staff and client screening procedures, including temperature checks and questioning of clients upon intake and on a daily basis subsequently. Each county has also implemented COVID-19 facilities, where LifeMoves can transfer clients who have either tested positive of the virus or display symptoms. LifeMoves complies with applicable county regulations for the protection of its employees and clients.

These changes have had a substantial financial impact on LifeMoves. Motel programs implemented by both counties have enabled LifeMoves to shelter clients and reduce client density. LifeMoves has been contracted to manage these programs, either as program management or in contracts in which LifeMoves purchases the motel rooms and passes the cost on to the funders. LifeMoves has increased staffing to manage these additional programs as well as compensation for those working directly in client support.

As a result of COVID-19, LifeMoves received additional revenue and incurred additional expense. Government revenues related to COVID-19 programs totaled $1.16M in the second half of fiscal 2020. Private donations also increased as donors responded to requests to assist LifeMoves to manage the COVID-19 crisis. Total revenues related to COVID-19 programs and donations were $5.17M and expenses were $2.01M. The increased revenues enabled us to build cash reserves to continue to fund these higher expenses, forecasted to last through fiscal 2021.

LifeMoves received loan proceeds in the amount of $2.92M (see Note 7) under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as LifeMoves uses the loan proceeds for eligible purposes. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. LifeMoves has used the proceeds for purposes consistent with the PPP and applied for forgiveness in August 2020.