LifeMoves
Breaking the Cycle of Homelessness

FY21 Independent Auditors’ Report & Financial Statements

Executive Summary

Our auditors recently completed their work for our 2020-21 fiscal year. The bullet points below put the Report into the context of LifeMoves overall financial trajectory.

During fiscal year 2020-2021, LifeMoves significantly increased Assets by approximately $20M, and Revenue by $25M over the previous year. These increases were the result of:

- Additional funds raised through the LifeMoves Covid Emergency Relief Fund for operations;
- Federal COVID relief funds; and,
- Funds raised for the building and operating of the new 100-unit LifeMoves | Mountain View interim housing program. This new program broke ground in December 2020 and opened in May of 2021. The organization’s Cash position decreased due to capital expenses associated with LifeMoves | Mountain View.

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LIFEMOVES

JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

LifeMoves

Independent Auditors' Report
and Consolidated Financial Statements

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS
LIFEMOVES
Menlo Park, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **LIFEMOVES** which comprise the consolidated statement of financial position as of June 30, 2021, 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 Consolidated 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, 2021, 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, 2020 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated November 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
November 10, 2021

LifeMoves

Consolidated Statement of Financial Position

June 30, 2021 (with comparative totals for 2020)	2021	2020
Assets		
Cash and cash equivalents	$ 10,567,008	$ 13,152,670
Grants and other receivables, net	5,759,556	4,820,654
Investments	8,189,402	4,881,775
Prepaid expenses	205,893	253,096
Promises for future use of assets, net	272,913	289,375
Investment in partnerships	120,941	292,763
Other assets	30,739	67,239
Property and equipment, net	36,560,412	18,941,371
Total assets	$ 61,706,864	$ 42,698,943

Liabilities and Net Assets

	2021	2020
Liabilities:		
Accounts payable and accrued expenses	$ 5,200,129	$ 2,814,639
Accrued interest	509,717	458,950
Deferred revenue	959,212	1,037,232
Loans and notes payable	1,208,674	1,410,306
Forgivable advances	8,752,998	10,814,516
Total liabilities	16,630,730	16,535,643
Net Assets:		
Without donor restrictions	37,794,107	23,903,778
With donor restrictions	7,282,027	2,259,522
Total net assets	45,076,134	26,163,300
Total liabilities and net assets	$ 61,706,864	$ 42,698,943

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Government grants and contracts	$ 37,394,981		$ 37,394,981	$ 18,160,503
Individual, corporate and foundation contributions	12,747,380	$ 7,657,961	20,405,341	17,353,421
In-kind donations, including contributed facilities	1,304,469		1,304,469	1,451,419
Client program fees	209,286		209,286	226,054
Special events, net of direct expenses of $72,222	694,963		694,963	739,714
Net investment income	1,674,217		1,674,217	201,054
Loss from investments in partnerships	(171,822)		(171,822)	(164,801)
Forgiveness of Paycheck Protection Program loan and interest	2,949,894		2,949,894	
Forgiven principal and interest	107,620		107,620	323,775
Other income	60,397		60,397	193,346
Net assets released from restrictions	2,635,456	(2,635,456)	-	-
Net revenue and support	59,606,841	5,022,505	64,629,346	38,484,485
Expenses:				
Program services	39,200,151		39,200,151	29,382,132
Supporting services:				
Management and general	3,495,979		3,495,979	2,844,581
Development and fundraising	3,020,382		3,020,382	2,748,904
Total expenses	45,716,512		45,716,512	34,975,617
Change in Net Assets	13,890,329	5,022,505	18,912,834	3,508,868
Net Assets, beginning of year	23,903,778	2,259,522	26,163,300	22,654,432
Net Assets, end of year	$ 37,794,107	$ 7,282,027	$ 45,076,134	$ 26,163,300

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021					2020
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	Total
Salaries	$ 15,734,684	$ 1,651,205	$ 1,603,671	$ 3,254,876	$ 18,989,560	$ 15,425,943
Employee benefits	4,433,130	464,312	451,441	915,753	5,348,883	4,047,096
Payroll taxes	1,412,867	148,351	144,239	292,590	1,705,457	1,407,927
Total salaries and related expenses	21,580,681	2,263,868	2,199,351	4,463,219	26,043,900	20,880,966
Client assistance	8,284,026			-	8,284,026	4,720,882
In-kind client assistance	427,704			-	427,704	278,050
Consulting services	791,497	160,488	296,121	456,609	1,248,106	707,676
Equipment and furniture	521,085			-	521,085	215,905
Equipment leases	75,884	2,091	2,647	4,738	80,622	104,518
Food related items	1,448,976	14,883	610	15,493	1,464,469	1,389,642
Insurance	183,278	12,278	15,546	27,824	211,102	208,301
Interest expense	78,226	32,841		32,841	111,067	78,343
Maintenance, repairs, supplies	1,147,808	9,588	12,139	21,727	1,169,535	965,822
Office expense	117,497	29,777	6,311	36,088	153,585	105,511
Professional services	812,206	649,958	20,001	669,959	1,482,165	1,009,185
Property taxes	111,888			-	111,888	145,680
Rent	205,941	83,685	105,959	189,644	395,585	374,390
Communications	763,729	49,756	186,691	236,447	1,000,176	756,885
Temporary services	9,214	5,998	7,595	13,593	22,807	94,397
Travel and mileage	174,144	1,519	1,808	3,327	177,471	433,058
Utilities	623,866	12,197	15,443	27,640	651,506	598,396
Computer related hardware and software	649,368	56,951	102,829	159,780	809,148	669,706
Other	128,123	75,307	3,276	78,583	206,706	181,913
Total expenses before depreciation and amortization	38,135,141	3,461,185	2,976,327	6,437,512	44,572,653	33,919,226
Depreciation and amortization	1,065,010	34,794	44,055	78,849	1,143,859	1,056,391
Total expenses as shown on the consolidated statement of activities and change in net assets	39,200,151	3,495,979	3,020,382	6,516,361	45,716,512	34,975,617
Direct benefit to participants of special events			72,222	72,222	72,222	241,755
Total expenses	$ 39,200,151	$ 3,495,979	$ 3,092,604	$ 6,588,583	$ 45,788,734	$ 35,217,372

See accompanying notes to consolidated financial statements.

LifeMoves

Consolidated Statement of Cash Flows

Year Ended June 30, 2020 (with comparative totals for 2019)	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	$ 18,912,834	$ 3,508,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,143,859	1,056,391
Loss on disposal of asset		46,916
In-kind vehicle donation	(5,000)	(10,500)
Realized and unrealized gains on investments	(1,543,246)	(112,925)
Loss from investments in partnerships	171,822	164,801
Amortization of promises for future use of assets	16,462	15,352
Principal and accrued interest forgiven on forgivable advances	(3,029,021)	(323,775)
(Increase) decrease in assets:		
Grants and other receivables	(938,902)	(203,923)
Prepaid expenses	47,203	(32,662)
Other assets	36,500	93,450
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	374,478	902,128
Accrued interest	78,289	72,295
Deferred revenue	(78,020)	(70,384)
Net cash provided by operating activities	15,187,258	5,106,032
Cash Flows from Investing Activities:		
Purchases of property and equipment	(16,746,888)	(416,583)
Sale of property and equipment		13,056
Purchases of investments	(6,593,874)	(1,483,342)
Proceeds from sale of investments	4,829,493	1,432,731
Net cash used by investing activities	(18,511,269)	(454,138)
Cash Flows from Financing Activities:		
Proceeds from loans and notes payable	939,981	2,921,400
Payments on loans and notes payable	(201,632)	(201,633)
Net cash provided by financing activities	738,349	2,719,767
Net Change in Cash and Cash Equivalents	(2,585,662)	7,371,661
Cash and Cash Equivalents, beginning of year	13,152,670	5,781,009
Cash and Cash Equivalents, end of year	$ 10,567,008	$ 13,152,670
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 4,285	$ 3,907
Non-cash Investing and Financing Activities		
Property and equipment included in accounts payable and accrued expenses	$ 2,011,012	$ 14,357

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 26 facilities from Daly City to San Jose. These include twelve 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. LifeMoves served 7,231 people with 237,300 nights of shelter during fiscal 2021 and returned nearly 2,000 to stable housing.

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, child-centric programs, rental assistance, housing savings incentives, and follow-up services.

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, 2022. LifeMoves has not recorded an allowance, as all receivables were deemed to be collectable as of June 30, 2021.

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. <u>Revenue Recognition</u>

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 for which the restrictions 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, 2021 amounted to approximately $9,500,000.

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, 2021, 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.

m. <u>Income Tax Status</u>

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. 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, 2020 from which the summarized information was derived.

q. Recent Accounting Pronouncements

Pronouncement effective in the future

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation of in-kind contributions other than contributed services. The first element will require separate presentation on the Statement of Activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or as part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for LifeMoves for the fiscal year beginning after June 15, 2021.

r. Subsequent Events

LifeMoves has evaluated subsequent events from June 30, 2021 through November 10, 2021, 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.

Note 3 - Liquidity and Availability of Resources:

LifeMoves' financial assets at June 30, 2021 that were available to meet general expenditures over the next twelve months were as follows:

Financial assets	
Cash and cash equivalents	$ 10,567,008
Grants and other receivables, net	5,759,556
Investments	8,189,402
Total	24,515,966
Less amounts not available to be used within one year	
Net assets with donor restrictions – purpose restrictions	7,282,027
Client housing deposits	133,601
Cash restrictions relating to loan payable	288,418
Financial assets available to meet general expenditures over the next twelve months	$ 16,811,920

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 and cash equivalents in an amount equivalent to 6 -12 months operating expenses. LifeMoves is currently working to ensure that it reaches its cash reserves targets while still meeting the increasing demands for its services.

Note 4 - Investments:

Investments, at fair value at June 30, 2021, were as follows:

	Total	Level 1	Level 2
Money market funds	$ 230,951	$ 230,951	
U.S. equity securities	4,237,430	4,237,430	
International equity securities	1,752,197	1,752,197	
U.S. Treasury bills and bonds	56,368		$ 56,368
U.S. corporate bonds	1,509,038		1,509,038
International developed & corporate bonds	403,418		403,418
Total investments	$ 8,189,402	$ 6,220,578	$ 1,968,824

Note 5 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation were as follows at June 30, 2021:

Land	$ 9,968,020
Buildings and improvements	33,675,422
Leasehold improvements	4,740,840
Equipment, furniture, and software	669,077
Vehicles	724,673
	49,778,032
Less accumulated depreciation	(13,217,620)
Total property and equipment, net	$ 36,560,412

Depreciation and amortization expense for the year ended June 30, 2021 was $1,143,859.

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 $25,060,079. The net book value of those assets was $13,578,677 at June 30, 2021.

Note 6 - Loans and Notes Payable:

Loans and notes payable consisted of the following as of June 30, 2021:

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.	$	453,674
<u>Hester Avenue</u>		
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
<u>Graduate House</u>		
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		1,208,674
Less current portion		(201,633)
Long-term portion of loans and notes payable	$	1,007,041

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

Year Ending June 30,		
2022	$	201,633
2023		201,633
2024		50,408
2025		200,000
Thereafter		555,000
Total future payments	$	1,208,674

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 long-term supportive housing for homeless and low-income individuals and families in San Mateo and Santa Clara Counties.

As of June 30, 2021, forgivable advances consisted of the following:

Community Development Block Grant for transitional housing and support services:		
County of San Mateo	$	483,993
City of San Mateo		52,617
HOME Investment Partnership:		
County of San Mateo		183,334
City of San Mateo		130,717
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		
Georgia Travis House		430,321
Villa		509,660
Steven’s House		12,071
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
Total forgivable advances	$	8,752,998

<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), 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.		642,328
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
Note payable to the County of Santa Clara, collateralized by deed of trust on the property. The note, which matures in March 2031, bears interest at 3% per year, and requires no principal payments. If conditions do not change relating to the property, the principal and interest will be forgiven upon maturity.	509,660
<u>Georgia Travis House</u>	
Note payable to the County of Santa Clara, collateralized by deed of trust on the property. The note, which matures in March 2031, bears interest at 3% per year, and requires no principal payments. If conditions do not change relating to the property, the principal and interest will be forgiven maturity.	430,321
<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

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 May 2022, bears no interest. If the use of the facility does not change, principal of approximately $13,000 is forgivable each year.	12,071
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 operation.	208,333
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.	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 2023, 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	8,752,998
Less current portion	(171,298)
Long-term portion of forgivable advances	$ 8,581,700

In April 2020, LifeMoves received a loan under the Paycheck Protection Program (PPP) from the U.S. Small Business Administration in the amount of $2,921,400. The loan proceeds were eligible to be used for payroll, employee benefits, rent and utilities. The loan and accrued interest totaling $2,949,894 were fully forgiven in April 2021.

In addition to the PPP forgiveness mentioned above, LifeMoves met the terms for forgiveness on other forgivable advances and recognized forgiveness of principal and interest in the amount of $107,620 for a total forgiveness of principal and interest of $3,057,514 for the year ended June 30, 2021.

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,	
2022	$ 171,298
2023	280,880
2024	1,066,727
2025	66,727
2026	980,880
Thereafter	6,186,486
Total future forgiveness	$ 8,752,998

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2021 consist of the following:

Donated building	$ 330,162
Restricted for operations of LifeMoves sites	6,132,848
Computers and training for teens and young adults	334,732
Behavioral health for youth	235,535
Gift cards for client assistance	8,750
Time restrictions	240,000
Total net assets with donor restrictions	$ 7,282,027

Net assets of $2,635,456 were released from donor restrictions during the year ended June 30, 2021 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors. Of the $6,132,848 restricted for LifeMoves sites, approximately $6,000,000 is restricted for the Mountain View site.

Note 9 - Donated Goods and Services:

Donated legal services of $85,500, donated consulting services of $32,500, donated food of $1,108,169, donated goods of $57,200, and contributed facilities of $21,100 were recorded as revenues and expenses for the year ended June 30, 2021.

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, 2021 was $334,253.

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, 2021 was approximately $358,000 for facilities and approximately, $80,600 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, 2021, LifeMoves' rent was $20,527 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, 2021 are as follows:

Years Ending June 30,	Facilities	Equipment	Total
2022	$ 305,583	$ 45,597	$ 351,180
2023	312,734	22,266	335,000
2024		12,097	12,097
Total future payments	$ 618,317	$ 79,960	$ 698,277

Note 12 - Commitments and Contingencies:

LifeMoves has received multi-year cost-reimbursement grants from federal, 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 is generally returned to the client when they exit the LifeMoves' facility. At June 30, 2021, LifeMoves held $133,601 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. For the year ended June 30, 2021, approximately 58% of LifeMoves's total revenue came from government funding. 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, 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. 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 $3.72M for the year ended June 30, 2021. 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 $4.76M and expenses were $6.02M. Revenues and the Paycheck Protection Program loan received in the previous fiscal year enabled LifeMoves to remain financially stable during the ongoing pandemic.