LIFEMOVES

JUNE 30, 2022

INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

HOOD & STRONG LLP
CERTIFIED PUBLIC ACCOUNTANTS

LifeMoves

Independent Auditors' Report and
Consolidated Financial Statements

Independent Auditors' Report

TO THE BOARD OF DIRECTORS
LIFEMOVES
Menlo Park, California

Opinion

We have audited the consolidated financial statements of **LIFEMOVES**, which comprise the consolidated statement of financial position as of June 30, 2022, 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 (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LifeMoves as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LifeMoves and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LifeMoves' ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 LifeMoves' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LifeMoves' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited LifeMoves' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
November 28, 2022

LifeMoves

Consolidated Statement of Financial Position

June 30, 2022 (with comparative totals for 2021)	2022	2021
Assets		
Cash and cash equivalents	$ 3,851,597	$ 10,567,008
Grants and other receivables, net	10,125,111	5,759,556
Investments	22,668,834	8,189,402
Prepaid expenses	244,642	205,893
Investment in partnerships	656,251	120,941
Other assets	277,250	303,652
Property and equipment, net	38,399,748	36,560,412
Total assets	$ 76,223,433	$ 61,706,864
Liabilities and Net Assets		
Liabilities:		
Line of credit	$ 4,000,000	
Accounts payable and accrued expenses	4,435,298	$ 5,200,129
Accrued interest	544,828	509,717
Deferred revenue	871,877	959,212
Loans and notes payable	1,007,041	1,208,674
Lease payable	315,862	
Forgivable advances	8,581,700	8,752,998
Total liabilities	19,756,606	16,630,730
Net Assets:		
Without donor restrictions	36,681,201	37,794,107
With donor restrictions	19,785,626	7,282,027
Total net assets	56,466,827	45,076,134
Total liabilities and net assets	$ 76,223,433	$ 61,706,864

See accompanying notes to the consolidated financial statements.

Life Moves

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Government grants and contracts	$ 28,537,129		$ 28,537,129	$ 37,394,981
Individual, corporate and foundation contributions	15,010,875	$ 15,514,214	30,525,089	20,405,341
In-kind donations, including contributed facilities	2,760,627		2,760,627	1,304,469
Client program fees	196,560		196,560	209,286
Special events, net of direct expenses of $161,625	895,922		895,922	694,963
Net investment income (loss)	(2,666,124)		(2,666,124)	1,674,217
Gain (loss) from investments in partnerships	535,309		535,309	(171,822)
Forgiveness of Paycheck Protection Program loan and Interest			-	2,949,894
Forgiven principal and interest	171,298		171,298	107,620
Other income	128,601		128,601	60,397
Net assets released from restrictions	3,010,615	(3,010,615)	-	-
Total revenue and support	48,580,812	12,503,599	61,084,411	64,629,346
Expenses:				
Program services	41,578,684		41,578,684	39,200,151
Supporting services:				
Management and general	5,040,360		5,040,360	3,495,979
Development and fundraising	3,074,674		3,074,674	3,020,382
Total expenses	49,693,718		49,693,718	45,716,512
Change in Net Assets	(1,112,906)	12,503,599	11,390,693	18,912,834
Net Assets, beginning of year	37,794,107	7,282,027	45,076,134	26,163,300
Net Assets, end of year	$ 36,681,201	$ 19,785,626	$ 56,466,827	$ 45,076,134

See accompanying notes to the consolidated financial statements.

Life Moves

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022					2021
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	
Salaries	$ 16,271,454	$ 2,067,594	$ 1,622,989	$ 3,690,583	$ 19,962,037	$ 18,989,560
Employee benefits	5,298,051	631,443	523,077	1,154,520	6,452,571	5,348,883
Payroll taxes	1,481,869	176,594	150,047	326,641	1,808,510	1,705,457
Total salaries and related expenses	23,051,374	2,875,631	2,296,113	5,171,744	28,223,118	26,043,900
Client assistance	8,014,946		33,541	33,541	8,048,487	8,284,026
In-kind client assistance	575,330			-	575,330	427,704
Consulting services	939,822	395,381	151,647	547,028	1,486,850	1,248,106
Equipment and furniture	254,064	411	155	566	254,630	521,085
Equipment leases	86,213	2,100	1,690	3,790	90,003	80,622
Food related items	1,719,635	18,296	2,128	20,424	1,740,059	1,464,469
Insurance	241,768	11,187	8,951	20,138	261,906	211,102
Interest expense	79,448			-	79,448	111,067
Maintenance, repairs, supplies	1,503,386	9,552	7,687	17,239	1,520,625	1,169,535
Office expense	109,799	40,496	7,413	47,909	157,708	153,585
Professional services	676,746	974,999	2,890	977,889	1,654,635	1,482,165
Property taxes	121,290	4,236		4,236	125,526	111,888
Rent	242,834	79,709	64,148	143,857	386,691	395,585
Communications	631,930	155,949	245,807	401,756	1,033,686	1,000,176
Temporary services	64,320	28,601	23,019	51,620	115,940	22,807
Travel and mileage	171,196	11,637	2,327	13,964	185,160	177,471
Utilities	805,472	12,712	10,231	22,943	828,415	651,506
Computer related hardware and software	470,363	227,992	126,774	354,766	825,129	809,148
Other	42,666	148,705	55,736	204,441	247,107	206,706
Total expenses before depreciation and amortization	39,802,602	4,997,594	3,040,257	8,037,851	47,840,453	44,572,653
Depreciation and amortization	1,776,082	42,766	34,417	77,183	1,853,265	1,143,859
Total Expenses as Shown on the Consolidated Statement of Activities and Changes in Net Assets	41,578,684	5,040,360	3,074,674	8,115,034	49,693,718	45,716,512
Direct benefit to participants of special events			161,625	161,625	161,625	72,222
Total Expenses	$ 41,578,684	$ 5,040,360	$ 3,236,299	$ 8,276,659	$ 49,855,343	$ 45,788,734

See accompanying notes to the consolidated financial statements.

Life Moves

Consolidated Statement of Cash Flows

Year Ended June 30, 2022 (with comparative totals for 2021)	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	$ 11,390,693	$ 18,912,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,853,265	1,143,859
In-kind vehicle and equipment donations	(1,353,893)	(5,000)
Donated securities held for investment purposes	(484,317)	
Realized and unrealized losses (gains) on investments, net	935,718	(1,543,246)
(Gain) loss on investments in partnerships	(535,310)	171,822
Amortization of promises for future use of assets	17,652	16,462
Principal and accrued interest forgiven on forgivable advances	(171,298)	(3,001,499)
(Increase) decrease in assets:		
Grants and other receivables	(4,365,555)	(938,902)
Prepaid expenses	(38,749)	47,203
Other assets	8,750	36,500
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	985,165	374,478
Accrued interest	35,111	50,767
Deferred revenue	(87,335)	(78,020)
Net cash provided by operating activities	8,189,897	15,187,258
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,772,842)	(16,746,888)
Purchases of investments	(14,989,385)	(6,593,874)
Proceeds from sale of investments	58,552	4,829,493
Net cash used by investing activities	(18,703,675)	(18,511,269)
Cash Flows from Financing Activities:		
Proceeds from line of credit	4,000,000	
Proceeds from loans and notes payable		939,981
Payments on loans and notes payable	(201,633)	(201,632)
Net cash provided by financing activities	3,798,367	738,349
Net Change in Cash and Cash Equivalents	(6,715,411)	(2,585,662)
Cash and Cash Equivalents, beginning of year	10,567,008	13,152,670
Cash and Cash Equivalents, end of year	$ 3,851,597	$ 10,567,008
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 3,781	$ 4,285
Non-cash Investing and Financing Activities		
Property and equipment included in accounts payable and accrued expenses	$ 466,117	$ 2,011,012

See accompanying notes to the 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 7,064 people with more than 288,000 nights of shelter during fiscal 2022 and returned more than 2,100 people 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 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, 2023. LifeMoves has not recorded an allowance, as all receivables were deemed to be collectable as of June 30, 2022.

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. LifeMoves' investments are governed by a Board-established investment policy.

g. Leases

Operating lease right-of-use (ROU) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. LifeMoves uses a risk-free discount rate in determining the present value of future payments. Additionally, the lease term may include options to extend or terminate the lease when it is reasonably certain LifeMoves will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

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 Internal Revenue Code (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 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, 2022 amounted to approximately $12,672,310.

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, 2022, 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. Non-cash donations of food, equipment, and other household items are recorded based on the estimated price of identical or similar products or services.

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. Income Tax Status

LifeMoves is exempt from federal income tax under Section 501(c)(3) of the 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.

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, 2021 from which the summarized information was derived.

q. Recent Accounting Pronouncements

Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases (Topic 842)*. The new ASU supersedes 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 is effective for non-public business entities for fiscal years beginning after December 15, 2021 with early application permitted. LifeMoves has elected to early adopt this pronouncement beginning July 1, 2021.

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. LifeMoves has adopted this pronouncement beginning July 1, 2021.

r. Subsequent Events

LifeMoves has evaluated subsequent events from June 30, 2022 through November 28, 2022, the date these consolidated financial statements were available to be issued. Except as mentioned in Note 6, there were no material subsequent events that required recognition or disclosure in the consolidated financial statements.

Note 3 - Liquidity and Availability of Resources:

LifeMoves' financial assets at June 30, 2022 available to meet general expenditures over the next twelve months were as follows:

Financial assets	
Cash and cash equivalents	$ 3,851,597
Grants and other receivables, net	10,125,111
Investments	22,668,834
Total	36,645,542
Less amounts not available to be used within one year	
Net assets with donor restrictions – purpose restrictions	19,785,626
Client housing deposits	133,901
Cash restrictions relating to loan payable	126,021
Financial assets available to meet general expenditures over the next twelve months	$ 16,599,994

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, 2022, were as follows:

	Total	Level 1	Level 2
Money market funds	$ 2,945,213	$ 2,945,213	
U.S. equity securities	4,624,881	4,624,881	
International equity securities	1,115,736	1,115,736	
U.S. corporate bonds	11,316,326		$ 11,316,326
International developed & corporate bonds	2,666,678		2,666,678
Total investments	$ 22,668,834	$ 8,685,830	$ 13,983,004

Note 5 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation were as follows at June 30, 2022:

Land	$ 10,174,369
Buildings and improvements	35,452,701
Leasehold improvements	5,007,402
Equipment, furniture, and software	2,019,489
Vehicles	548,004
	53,201,966
Less accumulated depreciation	(14,802,218)
Total property and equipment, net	$ 38,399,748

Depreciation and amortization expense for the year ended June 30, 2022 was $1,853,265.

As discussed in Notes 7 and 8, many properties serve as collateral for notes and loans payable and forgivable advances. Many of those properties are restricted as to use and cannot be sold or transferred, except with the 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 $12,899,533 at June 30, 2022.

Note 6 - Line of Credit:

LifeMoves has a $6,000,000 revolving line of credit with Bank of America (the Bank). The line of credit, used for cash flow management, is secured by certain assets of LifeMoves. The interest rate for the line of credit is a variable rate based on the Bloomberg Short-term Bank Yield plus 1.00%. Outstanding borrowing on the line of credits at June 30, 2022 totaled $4,000,000. The line of credit is payable upon demand by the Bank.

LifeMoves signed a new amendment on September 7, 2022, to increase its revolving line of credit from $6,000,000 to $15,000,000 with the Bank. The amount of $15,000,000 may be decreased or increased from time to time by the Bank at its sole discretion. The extra funds may be used to satisfy the initial purchases of HomeKey 2.0 capital additions prior to receiving grants funds from the awarding agency.

Note 7 - Loans and Notes Payable:

Loans and notes payable consisted of the following as of June 30, 2022:

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.	$	252,041
<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

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		1,007,041
Less current portion		(201,633)
Long-term portion of loans and notes payable	$	805,408

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

Year Ending June 30,		
2023	$	201,633
2024		50,408
2025		200,000
Thereafter		555,000
Total future payments	$	1,007,041

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

Note 8 - Forgivable Advances:

Forgivable advances represent funds that have been advanced to LifeMoves, 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, 2022, forgivable advances consisted of the following:

Community Development Block Grant for transitional housing and support services:	
County of San Mateo	$ 450,600
City of San Mateo	47,833
HOME Investment Partnership:	
County of San Mateo	166,668
City of San Mateo	118,833
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
County of San Mateo	
Haven Family House	906,500
Family Crossroads	1,927,379
Total forgivable advances	$ 8,581,700

<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.		583,934

Villa	
Note payable to the City of San Jose, collateralized by deed of trust on the property. The note, which matures in July 2029, bears no interest, and requires no principal payments. However, if the approved use of the property changes or sale of the property occurs prior to July 2029, interest will retroactively increase to 3% per year from the date of recordation of the deed of trust. If conditions do not change relating to the property, the principal will be forgiven upon maturity.	624,709
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
Georgia Travis House	
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.	430,321
Julian Street Inn	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 55 year note, which matures in August 2062, bears no interest and requires no principal payments. If the use of the facility does not change, the principal will be forgiven upon maturity.	860,000
Montgomery Street Inn	
Note payable to the City of San Jose, collateralized by a deed of trust on the property. The 30-year note, which matures in December 2025, bears no interest and requires no principal payments. The principal will be forgiven upon maturity. However, if changes in the use of the property occur, interest will increase to 3% per year from the date of change in use of the property, and the principal and interest shall become immediately due.	700,000

<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>Family Crossroads</u>	
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.	200,000
Note payable to the County of San Mateo (original amount $2,141,532), secured by a deed of trust on the property. The 30-year note, maturing in September 2046, bears no interest. If the use of the facility does not change, principal will be forgiven at a rate of 10% of the total note amount for each three years over the life of the loan.	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	8,581,700
Less current portion	(280,880)
Long-term portion of forgivable advances	$ 8,300,820

LifeMoves met the terms for forgiveness on forgivable advances and recognized forgiveness of principal and interest in the amount of $171,298 for the year ended June 30, 2022.

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,	
2023	$ 280,880
2024	1,066,727
2025	66,727
2026	980,880
2027	41,667
Thereafter	6,144,819
Total future forgiveness	$ 8,581,700

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2022 consisted of the following:

Donated building	$ 308,190
Restricted for operations of LifeMoves sites	15,844,590
Computers and training for teens and young adults	300,243
Rapid re-housing program	1,631,314
Behavioral health	860,915
Outreach	840,374
Total net assets with donor restrictions	$ 19,785,626

Net assets of $3,010,615 were released from donor restrictions during the year ended June 30, 2022 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors.

The $15.8 million noted above that is restricted for operations of LifeMoves sites contains both time and purpose restrictions. LifeMoves expects to satisfy the restrictions imposed by its donors for the purposes of HomeKey 2.0 and 3.0, HomeKey operating support, fundraising efforts, OutReach and marketing efforts in the following years:

Year Ending June 30,	
2023	$ 6,600,000
2024	4,700,000
2025	2,100,000
2026	1,900,000
2027	544,590
Total expected future releases	$ 15,844,590

Note 10 - Donated Goods and Services:

Donated goods and services received during the year ended June 30, 2022 consisted of the following:

	Total	Usage
Equipment	$ 1,344,893	programs
Legal services	24,441	management & general
Food items	697,899	programs
Other household items	672,311	programs
Use of facilities	21,084	programs
Total	$ 2,760,627	

With the exception of the donated equipment, which was restricted to specific programs by the donor, the remaining donated goods and services did not have any donor restrictions.

Note 11 - 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 made employer matching contributions of $327,151 for the year ended June 30, 2022.

Note 12 - Operating Leases:

LifeMoves has non-cancelable operating leases for its administrative offices, certain facilities and for equipment located at various locations. Lease ROU assets and liabilities were recognized beginning July 1, 2021, based on the present value of the remaining minimum lease payments over the lease term. Rental expense under these leases for the year ended June 30, 2022 was approximately $305,000 for facilities and approximately, $44,400 for equipment. LifeMoves is working to extend the current lease or find a new space for its administrative offices beyond 2023.

Future minimum lease payments under operating leases that have remaining terms as of June 30, 2022 are as follows:

Years Ending June 30	Facilities	Equipment	Total
2023	$ 312,734	$ 22,266	$ 335,000
2024		12,097	12,097
2025		4,119	4,119
Total future payments	$ 312,734	$ 38,483	351,217
Discount			(35,355)
Total lease payable			`$ 315,862

Note 13 - 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 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, 2022, LifeMoves held $133,901 of participant funds in a separate 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 14 - Concentrations of Risk:

LifeMoves, is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support and contributions. For the year ended June 30, 2022, approximately 50% of LifeMoves' total revenue came from private 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 7 and 8.

Note 15 - 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 for 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 $2.44M for the year ended June 30, 2022 and $12.38M since the pandemic started in March 2020. LifeMoves has incurred expenses totaling $3.05M for fiscal year 2022 and $11.06M since March of 2020. Revenues and the Paycheck Protection Program loan received in the prior fiscal year enabled LifeMoves to remain financially stable during the ongoing pandemic.