LIFEMOVES

JUNE 30, 2023

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, 2023, 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, 2023, 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' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
November 20, 2023

LifeMoves

Consolidated Statement of Financial Position

June 30, 2023 (with comparative totals for 2022)	2023	2022
Assets		
Cash and cash equivalents	$ 5,007,197	$ 3,851,597
Grants and other receivables, net	20,451,221	10,125,111
Investments	67,840,691	22,668,834
Prepaid expenses	396,331	244,642
Investments in partnerships	174,492	656,251
Other assets	258,322	277,250
Property and equipment, net	53,356,331	38,083,886
Right-of-use lease assets	3,157,528	315,862
Total assets	$ 150,642,113	$ 76,223,433
Liabilities and Net Assets		
Liabilities:		
Line of credit	$ 7,257,542	$ 4,000,000
Accounts payable and accrued expenses	12,424,995	4,435,298
Accrued interest	627,563	544,828
Deferred revenue	2,631,688	871,877
Loans and notes payable	805,408	1,007,041
Lease obligations	3,193,458	315,862
Forgivable advances	8,300,820	8,581,700
Total liabilities	35,241,474	19,756,606
Net Assets:		
Without donor restrictions	49,731,558	36,681,201
With donor restrictions	65,669,081	19,785,626
Total net assets	115,400,639	56,466,827
Total liabilities and net assets	$ 150,642,113	$ 76,223,433

See accompanying notes to the consolidated financial statements.

LifeMoves

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenue and Support:				
Government grants and contracts	$ 35,177,633		$ 35,177,633	$ 28,537,129
Individual, corporate and foundation contributions	13,308,964	$ 4,556,526	17,865,490	30,525,089
In-kind donations, including contributed facilities	1,477,557		1,477,557	2,760,627
Client program fees	210,478		210,478	196,560
Special events, net of direct expenses of $248,556	1,143,902		1,143,902	895,922
Net investment income (loss)	1,178,771		1,178,771	(2,666,124)
(Loss) gain from investments in partnerships	(481,759)		(481,759)	535,309
Forgiven principal and interest	304,398		304,398	171,298
Other income	227,743		227,743	128,601
Total operating revenue and support:	52,547,687	4,556,526	57,104,213	61,084,411
Nonoperating Revenue and Support:				
Government grants for capital and future operational support		51,552,800	51,552,800	-
Private grants for capital support		11,000,000	11,000,000	-
Total nonoperating revenue and support:	-	62,552,800	62,552,800	-
Total revenue and support	52,547,687	67,109,326	119,657,013	61,084,411
Net assets released from restrictions	21,225,871	(21,225,871)	-	-
Net revenue and support	73,773,558	45,883,455	119,657,013	61,084,411
Expenses:				
Program services	48,794,592		48,794,592	41,578,684
Supporting services:				
Management and general	7,998,333		7,998,333	5,040,360
Development and fundraising	3,930,276		3,930,276	3,074,674
Total expenses	60,723,201	-	60,723,201	49,693,718
Change in Net Assets	13,050,357	45,883,455	58,933,812	11,390,693
Net Assets, beginning of year	36,681,201	19,785,626	56,466,827	45,076,134
Net Assets, end of year	$ 49,731,558	$ 65,669,081	$ 115,400,639	$ 56,466,827

See accompanying notes to the consolidated financial statements.

LifeMoves

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023					2022
		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total	Total	
Salaries	$ 17,764,209	$ 3,122,388	$ 2,469,373	$ 5,591,761	$ 23,355,970	$ 19,962,037
Employee benefits	5,596,147	1,255,901	783,560	2,039,461	7,635,608	6,452,571
Payroll taxes	1,588,883	276,056	218,085	494,141	2,083,024	1,808,510
Total salaries and related expenses	24,949,239	4,654,345	3,471,018	8,125,363	33,074,602	28,223,118
Client assistance	11,151,082		2,485	2,485	11,153,567	8,048,487
In-kind client assistance	123,352			-	123,352	575,330
Consulting services	1,676,548	966,286	16,960	983,246	2,659,794	1,486,850
Equipment and furniture	387,711	136	28	164	387,875	254,630
Equipment leases	174,401	2,063	1,660	3,723	178,124	90,003
Food related items	2,324,105	29,189	8,723	37,912	2,362,017	1,740,059
Insurance	257,895	11,628	9,295	20,923	278,818	261,906
Interest expense	113,785	276,146		276,146	389,931	79,448
Maintenance, repairs, supplies	1,604,638	9,639	7,759	17,398	1,622,036	1,520,625
Office expense	86,966	39,649	8,946	48,595	135,561	157,708
Professional services	784,684	1,098,485	2,602	1,101,087	1,885,771	1,654,635
Property taxes	194,113	13,687		13,687	207,800	125,526
Rent	361,581	89,430	71,972	161,402	522,983	386,691
Communications	568,865	148,401	173,066	321,467	890,332	1,033,686
Temporary services	247,901	7,074	2,916	9,990	257,891	115,940
Travel and mileage	212,485	40,892	6,127	47,019	259,504	185,160
Utilities	978,979	14,964	12,043	27,007	1,005,986	828,415
Computer hardware and software	478,028	361,749	80,597	442,346	920,374	825,129
Other	52,417	192,406	20,146	212,552	264,969	247,107
Total expenses before depreciation and amortization	46,728,775	7,956,169	3,896,343	11,852,512	58,581,287	47,840,453
Depreciation and amortization	2,065,817	42,164	33,933	76,097	2,141,914	1,853,265
Total Expenses as shown on the Consolidated Statement of Activities and Change in Net Assets	48,794,592	7,998,333	3,930,276	11,928,609	60,723,201	49,693,718
Direct benefit to participants of special events			248,556	248,556	248,556	161,625
Total Expenses	$ 48,794,592	$ 7,998,333	$ 4,178,832	$ 12,177,165	$ 60,971,757	$ 49,855,343

See accompanying notes to the consolidated financial statements.

LifeMoves

Consolidated Statement of Cash Flows

Year Ended June 30, 2023 (with comparative totals for 2022)	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	$ 58,933,812	$ 11,390,693
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,141,914	1,853,265
Amortization of right-of-use leased assets	335,346	
In-kind vehicle and equipment donations		(1,353,893)
Donated securities held for investment purposes		(484,317)
Realized and unrealized (gain) loss on investments, net	(441,774)	935,718
Loss (gain) from investments in partnerships	481,759	(535,310)
Loss on disposal of asset	75,967	
Principal and accrued interest forgiven on forgivable advances	(280,880)	(171,298)
(Increase) decrease in assets:		
Grants and other receivables	(10,326,110)	(4,365,555)
Prepaid expenses	(151,689)	(38,749)
Other assets	18,928	26,402
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,235,165	985,165
Accrued interest	82,735	35,111
Deferred revenue	1,759,811	(87,335)
Lease obligations	(299,416)	
Net cash provided by operating activities	53,565,568	8,189,897
Cash Flows from Investing Activities:		
Purchases of property and equipment	(4,049,962)	(3,772,842)
Payments for construction in progress	(6,685,832)	
Purchases of investments	(46,001,027)	(14,989,385)
Proceeds from sale of investments	1,270,944	58,552
Net cash used by investing activities	(55,465,877)	(18,703,675)
Cash Flows from Financing Activities:		
Proceeds from line of credit	3,257,542	4,000,000
Payments on loans and notes payable	(201,633)	(201,633)
Net cash provided by financing activities	3,055,909	3,798,367
Net Change in Cash and Cash Equivalents	1,155,600	(6,715,411)
Cash and Cash Equivalents, beginning of year	3,851,597	10,567,008
Cash and Cash Equivalents, end of year	$ 5,007,197	$ 3,851,597
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 295,212	$ 3,781
Non-cash Investing and Financing Activities		
Property and equipment included in accounts payable and accrued expenses	$ 7,442,423	$ 466,117
Operating lease obligations used to obtain ROU lease assets	$ 3,492,874	

See accompanying notes to the consolidated financial statements.

Note 1 – Nature of Activities:

LifeMoves' mission is to end homelessness by providing interim housing, support services, and collaborative partnerships. We envision a community where every neighbor has a home. LifeMoves operates 26 facilities from Daly City to San Jose. These include twelve interim housing locations, a drop-in center, a navigation 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. The organization served 7,043 people with more than 303,000 nights of shelter during fiscal 2023 and returned nearly 1,600 people to permanent 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' case management provides individualized services and support aligned with our five key pillars of stability and housing readiness: physical health, behavioral health, financial, legal, and housing.

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, 2024. LifeMoves has not recorded an allowance, as all receivables were deemed to be collectable as of June 30, 2023.

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, which was revised and adopted by the Board on June 14, 2023.

g. 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.

h. 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.

i. 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.

j. Leases

LifeMoves determines if an arrangement is or contains a lease at inception. Qualifying leases are recorded as right-of-use (ROU) assets and lease obligations in the Statement of Financial Position. 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.

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 contributions as of June 30, 2023 amounted to approximately $40,960,507.

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, 2023, 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 IRC Section 501(c)(3) 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, 2022 from which the summarized information was derived.

q. Reclassifications

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. These reclassifications had no impact on net assets or the change in net assets.

r. Subsequent Events

LifeMoves has evaluated subsequent events from June 30, 2023 through November 20, 2023, 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.

Note 3 - Liquidity and Availability of Resources:

LifeMoves' financial assets at June 30, 2023 that were available to meet general expenditures over the next twelve months were as follows:

Financial assets:	
Cash and cash equivalents	$ 5,007,197
Grants and other receivables, net	20,451,221
Investments	67,840,691
Total	93,299,109
Less amounts not available to be used within one year:	
Net assets with donor restrictions	65,669,081
Client housing deposits	137,300
Cash restrictions relating to loan payable	25,204
Financial assets available to meet general expenditures over the next twelve months	$ 21,467,524

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 actively working to ensure that it reaches its cash reserves targets while still meeting the increasing demands for its services. Refer to Note 16 for additional information on concentrations of risk.

Note 4 - Grants and Other Receivables:

Grants and other receivables at June 30, 2023, were as follows:

Grants receivables	$ 7,363,929
Unbilled receivables	11,517,701
Pledges receivables	1,465,714
Other receivables	103,877
Total grants and other receivables	$ 20,451,221

All grants and other receivables are expected to be collected in fiscal year 2024. Included in the unbilled receivables is $10,852,800 due from the City of San Jose relating to the HomeKey project. LifeMoves expects to receive this amount once operations begin in 2024.

Note 5 - Investments:

Investments, at fair value at June 30, 2023, were as follows:

	Total	Level 1	Level 2
Money market funds	$ 49,515,523	$ 49,515,523	
U.S. equity securities	5,543,009	5,543,009	
International equity securities	1,306,186	1,306,186	
U.S. Treasury bills and bonds	493,935		$ 493,935
U.S. corporate bonds	10,928,427		10,928,427
International developed and corporate bonds	53,611		53,611
Total investments	$ 67,840,691	$ 56,364,718	$ 11,475,973

Included in the money market funds is $44,700,000, which is for capital expenditures relating to the HomeKey projects (see Note 15). LifeMoves expects these funds to be utilized over the next 12 to 20 months.

Note 6 - Property and Equipment:

Property, equipment and improvements and accumulated depreciation were as follows at June 30, 2023:

Land	$ 13,331,636
Buildings and improvements	34,714,097
Leasehold improvements	4,920,307
Equipment, furniture, and software	2,181,512
Construction in progress	14,097,590
Vehicles	794,078
	70,039,220
Less accumulated depreciation	(16,682,889)
Total property and equipment, net	$ 53,356,331

Depreciation and amortization expense for the year ended June 30, 2023 was $2,141,914.

Construction in progress is primarily related to the HomeKey projects. The total contract value of the HomeKey projects in San Jose and Palo Alto is $85,832,012. Costs incurred on these contracts through June 30, 2023 were $11,271,780 and the remaining commitments were $74,560,232.

As discussed in Notes 8 and 10, 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 $12,219,518 at June 30, 2023.

Note 7 - Line of Credit:

LifeMoves has a $15,000,000 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 annual interest rate for the line of credit is a variable rate based on the Bloomberg Short-term Bank Yield plus 0.75% (6.17% at June 30, 2023). Outstanding borrowing on the line of credit at June 30, 2023 totaled $7,257,542. The line of credit is payable upon demand by the Bank.

In 2022, the line of credit was increased from $6,000,000 to $15,000,000. The additional funds may be used to satisfy cashflow needs relating to normal operations, the Palo Alto and San Jose HomeKey projects, including offsetting unexpected delays from the reimbursement of expenditures, the upfront costs related to capital additions prior to receiving grants funds from the awarding agency as well as any capital additions related to the HomeKey Mountain View site.

Note 8 - Loans and Notes Payable:

Loans and notes payable consisted of the following as of June 30, 2023:

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.	$	50,408
Hester Avenue		
Note payable to Housing Trust of Santa Clara County, (original amount $130,000), collateralized by the Hester Avenue property. The note bears no interest. Principal is due upon maturity in December 2060.		130,000
Note payable to the City of San Jose, (original amount $425,000), collateralized by the Hester Avenue property. The 55 year note bears no interest and requires annual payments of the lesser of principal on a 30-year amortization or 50% of net cash flow of the property. No payments are required should there be negative cash flow. All remaining principal is due upon maturity in May 2061.		425,000
Graduate House		
Note payable to the County of Santa Clara, (original amount $200,000), collateralized by the Graduate House property. The 30 year note bears interest at 5.75% per year. Principal and accrued interest are due upon maturity in February 2025.		200,000
Total		805,408
Less current portion		(50,408)
Long-term portion of loans and notes payable	$	755,000

Future annual principal payments on the above notes and loans as well as the line of credit are as follows:

Year Ending June 30,	
2024	$ 7,307,950
2025	200,000
Thereafter	555,000
Total future payments	$ 8,062,950

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

Note 9 - 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 recorded 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, 2023 was approximately $ 373,724 for facilities and approximately, $22,266 for equipment. LifeMoves has executed a new lease for its administrative offices in June 2023.

Future minimum lease payments under operating leases that have remaining terms as of June 30, 2023 are as follows:

Years Ending June 30	Facilities	Equipment	Total
2024	$ 1,113,273	$ 12,097	$ 1,125,370
2025	1,197,551	4,119	1,201,670
2026	1,117,323	231	1,117,554
Total future payments	3,428,147	16,447	3,444,594
Discount	(250,524)	(612)	(251,136)
Total lease obligation	$ 3,177,623	$ 15,835	$ 3,193,458

Note 10 - 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, 2023, forgivable advances consisted of the following:

Community Development Block Grant for transitional housing and support services:		
County of San Mateo	$	225,540
City of San Mateo		43,050
HOME Investment Partnership:		
County of San Mateo		150,001
City of San Mateo		106,950
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 - CDBG		1,713,227
Family Crossroads – AHF		191,667
Total forgivable advances	$	8,300,820

Haven Family House	
Note payable to the County of San Mateo Housing and Community Development, partially collateralized by a deed of trust on the Haven Family House and partially unsecured. The 30 year note, maturing in August 2029, bears no interest and requires no principal payments. If LifeMoves is still operating the facility at maturity, the principal will be forgiven at that time.	$ 906,500
Note payable to Mid-Peninsula Coalition Belle Haven, Inc., collateralized by a second deed of trust on the Haven Family House. The 30 year note, maturing in May 2029, bears no interest and requires no principal payments, unless there is a default relating to obligations or restrictions on the use of the property.	593,500
First Step for Families	
Notes payable to the County of San Mateo, (original amount $751,800), and the City of San Mateo, (original amount $143,500), for Community Development Block Grants and to the HOME Investment Partnership for the County of San Mateo (original amount $540,000), amount and the City of San Mateo, (original amount $356,500), collateralized by a deed of trust on the property. The 30 year notes, maturing in March 2032, bear interest at 3% per year. Payments are due annually in the amount of 50% of the net surplus cash generated by the property for the year. If there is no net surplus cash, no payment is necessary. If the use of the facility does not change, one-thirtieth (1/30) of the principal will be forgiven for each full year of operation, along with accrued interest.	525,541

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 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.	191,667
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.	1,713,225
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	8,300,820
Less current portion	(1,066,727)
Long-term portion of forgivable advances	$ 7,234,093

LifeMoves met the terms for forgiveness on forgivable advances and recognized forgiveness of principal of $280,880 and interest of $23,518 for a total forgiveness in the amount of $304,398 for the year ended June 30, 2023.

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,	
2024	$ 1,066,727
2025	66,727
2026	980,880
2027	66,627
Thereafter	6,119,759
Total future forgiveness	$ 8,300,820

Note 11 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2023 consist of the following:

Restricted for operations of HomeKey sites	$ 10,685,508
Education	608,193
Rapid re-housing program	1,080,584
Behavioral health	958,480
Outreach	1,107,621
Time restrictions	113,076
Total restricted for operations	14,553,462
Donated building	284,942
Restricted for HomeKey site development	50,830,677
Total net assets with donor restrictions	$ 65,669,081

Net assets of $21,225,871 were released from donor restrictions during the year ended June 30, 2023 by incurring expenses satisfying the purpose restrictions or by meeting the time restrictions specified by donors.

HomeKey Projects - Restricted donations for HomeKey Site development grew significantly in 2023 to support the capital expenditures for the new HomeKey site in San Jose. LifeMoves releases restrictions as qualifying expenditures are incurred as outlined in the donors' awards and not when the asset is placed into service. See Note 15 for a discussion of the impact of these projects on LifeMoves' operations.

The $14,553,462 noted above that is restricted for operations of LifeMoves, sites and programs contains both time and purpose restrictions. LifeMoves expects to satisfy the restrictions imposed by its donors for the purposes of HomeKey operating support, fundraising efforts, Outreach, supportive programs, and marketing efforts in the following years:

Year Ending June 30,	
2024	$ 9,955,000
2025	2,100,000
2026	1,900,000
2027	598,462
Total future expected release	$ 14,553,462

Note 12 - Donated Goods and Services:

Donated goods and services received during the year ended June 30, 2023 consisted of the following:

	Total	Usage
Legal services	$ 15,164	management & general
Food items	1,224,526	programs
Other household items	216,783	programs
Use of facilities	21,084	programs
Total	$ 1,477,557	

The donated goods and services did not have any donor restrictions.

Note 13 - 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 $424,714 for the year ended June 30, 2023.

Note 14 - 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, 2023, LifeMoves held $137,300 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 15 - Impact of the HomeKey Awards:

HomeKey is a statewide effort in California to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness, who are especially impacted by COVID-19 and other communicable diseases. While the HomeKey awards align with LifeMoves' mission to end homelessness by providing interim housing, support services, and collaborative partnerships, both San Jose and Palo Alto awards consist of two large construction projects that are not representative of LifeMoves' day-to-day operations. As such, these projects and the related recognition of revenue and expenditures in accordance with U.S. GAAP have had a significant impact on LifeMoves' change in net assets for the year ended June 30, 2023, which is summarized as follows:

	HomeKey	Other LifeMoves' Operations	Total
Revenue	$ 62,552,800	$ 57,104,213	$ 119,657,013
Expenses		60,723,201	60,723,201
Change in Net Assets	$ 62,552,800	$ (3,618,988)	$ 58,933,812

When the capital assets are placed into service, depreciation expense related to the HomeKey sites will be recognized over the term of the lease agreements with the City of San Jose and City of Palo Alto. In addition, certain operating costs will be incurred once the sites begin operations.

Note 16 - 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, 2023, approximately 33% of LifeMoves' total operating revenue (excludes HomeKey capex revenue since it is not related to operating revenue) came from private funding compared to approximately 50% last year. The continued growth and well-being of LifeMoves is contingent upon successful achievement of its non-government fundraising goals. LifeMoves needs to continue to monitor its ratio of government to private revenue. LifeMoves aspires to get to a ratio of 40% government revenue to 60% non-government revenue to mitigate inherent risk of varying government funds.

LifeMoves has identified 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. Due to the banking crisis in March of 2023, LifeMoves adopted a new strategy to mitigate the risk of having cash deposits in financial institutions in excess of federally insured limits. Cash deposits over the insured limit are swept on a daily basis and spread across various federally insured institutions. There still remains the possibility of risk for cash deposits in financial institutions in excess of federally insured limits, but it is limited to our daily cash inflow.

Receivables are due from various sources, including federal, state and local governments. Investments are diversified as described in Note 5. Loans and notes payable and forgivable advances are due to various lenders and include restrictions as described in Notes 8 and 10.