

## **CityTeam Ministries**

Financial Statements  
and Single Audit Reports and Schedules

August 31, 2025  
(With Comparative Totals for 2024)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
CityTeam Ministries

### **Opinion**

We have audited the accompanying financial statements of CityTeam Ministries (the "Organization"), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CityTeam Ministries as of August 31, 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CityTeam Ministries 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 these 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 CityTeam Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 CityTeam Ministries' 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 CityTeam Ministries' 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

We have previously audited CityTeam Ministries' 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Armanino LLP*

Dallas, Texas

January 20, 2026

CityTeam Ministries  
Statement of Financial Position  
August 31, 2025  
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,763,722	\$ 8,261,032
Accounts receivable, net	67,936	57,498
Pledges receivable	1,887,381	1,840,708
Inventory	556,471	444,019
Investments	8,494,030	6,597,215
Prepaid expenses	768,001	693,823
Total current assets	22,537,541	17,894,295
Property and equipment, net	56,436,796	47,875,467
Other assets		
Deposits	1,500	1,500
Deferred rent receivable	95,264	98,389
Employee retention tax credit receivable	908,624	1,789,538
Beneficial interest in trust	-	342,026
Investment in limited partnership	207,810	-
Investments held in trust	2,147,544	2,001,300
Funds committed for long-term purposes	2,794,016	2,935,661
Designated investments for investment in property and equipment	878,179	6,175,071
Total other assets	7,032,937	13,343,485
Total assets	\$ 86,007,274	\$ 79,113,247

The accompanying notes are an integral part of these financial statements.

CityTeam Ministries  
Statement of Financial Position  
August 31, 2025  
(With Comparative Totals for 2024)

	2025	2024
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 3,267,995	\$ 2,056,789
Accrued expenses	786,066	622,879
Deferred revenue	43,974	31,537
Notes payable, current portion	-	1,000,000
Total current liabilities	4,098,035	3,711,205
Long-term liabilities		
Deposits	60,494	60,494
Notes payable, net of current portion	5,931,071	3,177,947
Trust beneficiaries liability	1,350,944	1,283,386
Total long-term liabilities	7,342,509	4,521,827
Total liabilities	11,440,544	8,233,032
Net assets		
Without donor restrictions		
Undesignated	1,245,043	5,868,206
Net investment in property and equipment	50,505,725	43,697,520
Board-designated (Note 13)	9,040,569	9,066,661
Total without donor restrictions	60,791,337	58,632,387
With donor restrictions (Note 12)	13,775,393	12,247,828
Total net assets	74,566,730	70,880,215
Total liabilities and net assets	\$ 86,007,274	\$ 79,113,247

The accompanying notes are an integral part of these financial statements.

CityTeam Ministries  
Statement of Activities  
For the Year Ended August 31, 2025  
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support and revenue				
Support				
Grants and contributions	\$ 14,830,703	\$ 2,270,125	\$ 17,100,828	\$ 19,353,398
Fundraising events, net of direct expenses of \$128,511 for 2025 and \$146,515 for 2024	942,673	-	942,673	1,173,020
In-kind contributions	<u>17,974,269</u>	<u>-</u>	<u>17,974,269</u>	<u>18,896,382</u>
Total support	<u>33,747,645</u>	<u>2,270,125</u>	<u>36,017,770</u>	<u>39,422,800</u>
Program revenue	1,863,789	-	1,863,789	1,512,101
Rental income, net of expenses of \$515,087 for 2025 and \$489,114 for 2024	562,580	-	562,580	616,175
Interest and dividend income	1,037,164	-	1,037,164	1,077,626
Realized and unrealized gains on investments	39,108	-	39,108	182,067
Other revenue	215,514	-	215,514	10,285
Employee retention tax credit	-	-	-	1,789,538
Losses on disposal of property and equipment	<u>(1,427)</u>	<u>-</u>	<u>(1,427)</u>	<u>(10,286)</u>
Total	<u>3,716,728</u>	<u>-</u>	<u>3,716,728</u>	<u>5,177,506</u>
Total support and revenue	37,464,373	2,270,125	39,734,498	44,600,306
Net assets released from restriction	<u>742,560</u>	<u>(742,560)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restriction	<u>38,206,933</u>	<u>1,527,565</u>	<u>39,734,498</u>	<u>44,600,306</u>
Functional expenses				
Program services	29,752,761	-	29,752,761	30,715,743
Management and general	2,890,267	-	2,890,267	2,777,633
Fundraising	<u>3,404,955</u>	<u>-</u>	<u>3,404,955</u>	<u>3,483,025</u>
Total functional expenses	<u>36,047,983</u>	<u>-</u>	<u>36,047,983</u>	<u>36,976,401</u>
Change in net assets	2,158,950	1,527,565	3,686,515	7,623,905
Net assets, beginning of year	<u>58,632,387</u>	<u>12,247,828</u>	<u>70,880,215</u>	<u>63,256,310</u>
Net assets, end of year	<u>\$ 60,791,337</u>	<u>\$ 13,775,393</u>	<u>\$ 74,566,730</u>	<u>\$ 70,880,215</u>

The accompanying notes are an integral part of these financial statements.

CityTeam Ministries  
Statement of Functional Expenses  
For the Year Ended August 31, 2025  
(With Comparative Totals for 2024)

	Program Services	Management and General	Fundraising	2025 Total	2024 Total
Salaries and staff expenses					
Salaries and wages	\$ 5,099,730	\$ 1,362,819	\$ 1,013,080	\$ 7,475,629	\$ 6,893,862
Staff benefits and other expenses	1,438,986	350,336	228,484	2,017,806	1,855,607
Contract services	<u>187,787</u>	<u>179,227</u>	<u>-</u>	<u>367,014</u>	<u>339,834</u>
Total salaries and staff expenses	6,726,503	1,892,382	1,241,564	9,860,449	9,089,303
Donated food distributed	11,373,690	-	-	11,373,690	13,999,616
Donated program materials	6,163,950	-	-	6,163,950	4,878,816
Occupancy	1,843,013	653,797	47,030	2,543,840	2,618,645
Marketing, advertising and promotion	-	-	1,896,264	1,896,264	2,086,569
Depreciation and amortization	1,734,154	43,074	10,147	1,787,375	1,715,777
Program supplies and client services	668,015	-	-	668,015	709,441
Legal and professional fees	3,738	381,745	19,949	405,432	603,537
Information technology	358,663	52,953	86,773	498,389	438,625
Insurance	406,028	74,491	9,628	490,147	408,934
Vehicle expenses	191,585	-	-	191,585	277,283
Bank fees and interest	8,188	176,374	-	184,562	192,589
Fundraising event expenses	-	-	128,511	128,511	146,515
Office expenses	22,618	66,118	66,038	154,774	183,078
Donated services	207,407	1,371	-	208,778	143,844
Miscellaneous	16,688	37,196	16,846	70,730	53,480
Conferences, meetings and travel	<u>28,521</u>	<u>25,853</u>	<u>10,716</u>	<u>65,090</u>	<u>65,978</u>
Total	29,752,761	3,405,354	3,533,466	36,691,581	37,612,030
Fundraising event expenses	-	-	(128,511)	(128,511)	(146,515)
Less: non-operating expenses netted with revenue on statement of activities	<u>-</u>	<u>(515,087)</u>	<u>-</u>	<u>(515,087)</u>	<u>(489,114)</u>
	<u>\$ 29,752,761</u>	<u>\$ 2,890,267</u>	<u>\$ 3,404,955</u>	<u>\$ 36,047,983</u>	<u>\$ 36,976,401</u>
Percentage of total	<u>82.6 %</u>	<u>8.0 %</u>	<u>9.4 %</u>	<u>100.0 %</u>	

The accompanying notes are an integral part of these financial statements.

CityTeam Ministries  
Statement of Cash Flows  
For the Year Ended August 31, 2025  
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 3,686,515	\$ 7,623,905
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,787,375	1,715,777
Losses on disposal of property and equipment	1,427	10,286
Donated property and equipment	(115,400)	-
Capitalized donated professional services	(13,840)	(13,841)
Realized and unrealized gains on investments	(39,108)	(182,067)
Change in donated inventory	(112,452)	149,458
Contributions restricted for investment in property and equipment	(2,198,842)	(3,500,251)
Changes in operating assets and liabilities		
Accounts receivable, net	(10,438)	51,498
Employee retention tax credit receivable	880,914	(1,789,538)
Pledges receivable	(46,673)	(1,540,954)
Prepaid expenses	(74,178)	42,707
Deposits	-	4,000
Deferred rent receivable	3,125	(19,903)
Beneficial interest in trust	342,026	(342,026)
Investment in limited partnership	(207,810)	-
Investments held in trust	(146,244)	(226,983)
Accounts payable	(148,027)	325,348
Accrued expenses	(1,143,531)	(34,524)
Deferred revenue	12,437	(20,434)
Trust beneficiaries liability	67,558	143,008
Net cash provided by operating activities	<u>2,524,834</u>	<u>2,395,466</u>
Cash flows from investing activities		
Proceeds from sale of investments	16,219,126	59,659,720
Purchase of investments	(12,638,296)	(52,637,834)
Purchase of property and equipment	(7,554,940)	(8,339,966)
Net cash used in investing activities	<u>(3,974,110)</u>	<u>(1,318,080)</u>
Cash flows from financing activities		
Proceeds from borrowing on notes payable	2,753,124	1,000,000
Repayment on notes payable	(1,000,000)	-
Contributions restricted for investment in property and equipment	2,198,842	3,500,251
Net cash provided by financing activities	<u>3,951,966</u>	<u>4,500,251</u>
Net increase in cash and cash equivalents	2,502,690	5,577,637
Cash and cash equivalents, beginning of year	<u>8,261,032</u>	<u>2,683,395</u>
Cash and cash equivalents, end of year	<u>\$ 10,763,722</u>	<u>\$ 8,261,032</u>

The accompanying notes are an integral part of these financial statements.

CityTeam Ministries  
Statement of Cash Flows  
For the Year Ended August 31, 2025  
(With Comparative Totals for 2024)

	2025	2024
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 53,084	\$ 26,290
Supplemental schedule of noncash investing and financing activities		
Property and equipment in accounts payable and accrued expenses	\$ 2,665,951	\$ 1,229,071

The accompanying notes are an integral part of these financial statements.

CityTeam Ministries  
Notes to Financial Statements  
August 31, 2025  
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS

CityTeam Ministries dba CityTeam (the "Organization") is a Christian non-profit 501(c)(3) organization founded in 1957 with operations in California, Oregon, and Pennsylvania.

CityTeam's mission is to share Christ's unconditional and redemptive love by caring for immediate needs and enabling lasting solutions. For over 60 years, CityTeam has been working to address poverty, hunger, homelessness, and addiction in our community. Today, the face of poverty is changing. Driven by rising costs of living, a growing number of our neighbors are living with food insecurity, and the number of people experiencing homelessness is rapidly expanding.

Over the past 5 years, CityTeam has expanded food distribution by providing more hot meals, fresh food and groceries to men, women, children, families, and seniors in need. Together with our communities, CityTeam has adapted programs and services, created new partnerships and collaborations, and expanded outreach efforts to provide food, clothing, and hygiene essentials for a larger number of neighborhoods.

The Organization has also launched new and expanded solutions, becoming increasingly effective in our approach to poverty alleviation and solutions for the unhoused. In 2021, CityTeam purchased a 50-unit apartment complex in San Jose, CA to provide transitional housing for women and children fleeing domestic violence, experiencing homelessness, or surviving financial crisis (Grace Village). In 2024, CityTeam broke ground on a state-of-the-art 10,000 square foot community center to provide resources for the women and children residing at Grace Village, helping them to build new lives and equipping them for a sustainable future in Silicon Valley. The community center, which will include a licensed childcare center, is expected to open in early 2026. The past four years have also seen a notable surge in demand for residential care program beds in Portland, OR, surpassing our capacity. During 2024, CityTeam purchased a 27,000 square foot building in Portland's historic Old Town neighborhood and in 2025 continued a construction project to convert the mixed-use building into a residential care facility and emergency shelter for men, doubling CityTeam's capacity in Portland. The new facility opened in the Fall of 2025.

Programs – Caring for Immediate Needs

CityTeam in the Neighborhood – Neighborhood food and clothing outreach programs that help relieve the challenges that low-income families face to put food on the table and make ends meet.

CityTeam Connect – Helping people connect to the CityTeam community and to critical services men and women need. Every connection – whether providing hot meals, shelter beds, showers, clothing or medical care – is an opportunity to create a relationship that opens the door to lasting solutions.

CityTeam Ministries  
Notes to Financial Statements  
August 31, 2025  
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS (continued)

Programs – Enabling Lasting Solutions

CityTeam @ Work – Providing education, training and certification programs to help people attain living-wage jobs, affordable housing, and budget for financial sustainability.

CityTeam Renew – Residential care program to give people a new start at life, restored from the grips of homelessness and addiction.

CityTeam Forward – Bridge housing to provide affordable living to help graduates move forward as active members of the community and create a strong foundation for bringing families back together.

CityTeam Turning Point – Bridge housing program designed to help people make a turn and get back on their feet when sudden homelessness happens or when someone becomes at risk of homelessness.

CityTeam Youth Collective – Residential supportive housing program helping to prevent homelessness by providing a loving community for at-risk youth.

CityTeam believes that through these key programs, the Organization will have an even greater reach and deeper impact in the coming years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

CityTeam prepares its financial statements using the accrual-basis method of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The financial statements report amounts separately by class of net assets:

- *Net assets without donor restrictions* - These net assets include those assets over which the Board of Trustees (the "Board") has discretionary control in carrying out CityTeam operations. Included are an operating fund, assets designated by the Board for specific purposes, and resources invested in property and equipment.
- *Net assets with donor restrictions* - These net assets include those assets that are subject to donor restriction for which the applicable restriction was not met as of the end of the fiscal year.

CityTeam Ministries  
Notes to Financial Statements  
August 31, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Support and revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions and recognized as net assets without donor restrictions. Contributions that are restricted by the donor/grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grants and contributions

Grants and contributions are recognized as income in the statement of activities when cash or ownership of donated assets is transferred to the Organization. Grants and contributions received are recorded as increases in "net assets without donor restrictions" or "net assets with donor restrictions", depending on the existence and/or nature of any donor restrictions. When the time restriction ends or the purpose restriction is accomplished, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions, and it is also reported on the statement of activities as "net assets released from restriction". Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment, or on assets restricted for acquiring property or equipment expire when the property or equipment is placed in service.

Pledges are recorded when CityTeam is notified of an unconditional promise to give. All outstanding pledges are reviewed annually and those determined uncollectible are written off.

In-kind contributions

Many of CityTeam's programs are heavily dependent upon the receipt of donated goods and services. Donated goods, including items such as food, clothing and household furnishings, are recorded at their estimated fair value. Contributed services, which require a specialized skill and which CityTeam would have paid for if not donated, such as medical services, are recorded at the estimated fair value. CityTeam also receives donated services that do not require specific expertise but are nonetheless central to its operations (see Note 16). The financial statements do not reflect the value of these other contributed services because they do not meet the recognition criteria required by generally accepted accounting principles. If these activities could be valued in the accompanying financial statements, their inclusion would significantly increase the percent of expenses attributable to direct program services expenses.

CityTeam Ministries  
Notes to Financial Statements  
August 31, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income allocations - with and without donor restrictions

All gains and losses arising from the sale, collection or other disposition of investments and property and equipment are treated as without donor restriction unless restricted by the donor. Ordinary income derived from investments, receivables, and the like, is also treated as without donor restriction unless restricted by the donor.

Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash is defined as all monies on hand and in banks, money market funds, and highly liquid investments with original maturity dates of three months or less.

Investments

Investments are carried at estimated fair market value. Donated securities are recorded at the fair market value on the date of the gift. All unrealized gains and losses are recorded as income for the current year as required by U.S. GAAP.

Fair value of financial instruments

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.

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of CityTeam. Unobservable inputs reflect CityTeam's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted market prices for identical instruments in active markets.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, observable inputs other than quoted prices, inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuation models in which significant inputs are unobservable or where there is little market activity, if any.

CityTeam Ministries  
Notes to Financial Statements  
August 31, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, pledges receivable, accounts payable and accrued expenses approximate their fair value due to the short-term maturities of these instruments.

Property and equipment

Property and equipment is recorded at cost if purchased or at fair market value if donated. In accordance with U.S. GAAP, no allowance has been made for any appreciation or recognition of current fair market value. The capitalization threshold for fixed assets acquired is \$5,000.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	25 - 50 years
Building and leasehold improvements	3 - 48 years
Furniture and equipment	2 - 15 years
Vehicles	2 - 10 years

Functional allocation of expenses

Directly identifiable expenses are charged to program and support services. Program services are those related to the purpose for which the Organization exists. Support services are those not directly related to the Organization's purpose but necessary for the conduct of business, such as management and general and fundraising. Indirect functional expenses, such as information technology services, are allocated to program and support services based on headcount or estimated usage.

Income tax status

CityTeam is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC") and comparable state laws. In prior fiscal years, CityTeam was exempt as a church. In October 2024, the Internal Revenue Service ("IRS") re-determined CityTeam's exempt status to be a public charity rather than a church. With the re-determination by the IRS, CityTeam is no longer exempt from certain government programs and filing requirements such as state mandated benefit programs and charitable solicitation registrations. Contributions to CityTeam are tax deductible within the limitations prescribed by the IRC. It is the opinion of management that all income earned relates to the Organization's tax-exempt status and there is no unrelated taxable income. Prior year filings for fiscal years ended August 31, 2024, 2023, 2022 and 2021 are still open for IRS and or state examination and, therefore, subject to revision.

CityTeam Ministries  
Notes to Financial Statements  
August 31, 2025  
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

The Organization received contributions from board members of \$1,360,289 and \$858,185 during the years ended August 31, 2025 and 2024, respectively.

Use of estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from these estimates.

Concentrations of credit risk

Financial instruments that potentially subject CityTeam to concentrations of credit risk consist principally of cash and cash equivalents. CityTeam maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. CityTeam manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. To date, CityTeam has not experienced losses in any of these accounts.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to be comparable with the current year presentation. Such reclassifications had no effect on total assets, liabilities, net assets, or changes in net assets from the amounts previously presented.

3. LIQUIDITY AND FUNDS AVAILABLE

As part of CityTeam's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CityTeam's investment policy is to maintain a moderately conservative but balanced portfolio, with the primary investment objectives being the preservation of purchasing power and the preservation of capital. CityTeam's investment portfolio is structured and maintained with the overall objective of providing the resources and liquidity for the Organization to fund its operations. Investments consist of certificates of deposit, money markets and US Treasury notes. CityTeam manages on-going operational and program spending to be in-line with its current operating revenue. However, in the event there is a shortfall of funds, the Board has designated an operating reserve fund for \$6,000,000 from which the Organization can draw upon. Any drawdowns from the operating reserve fund are expected to be replenished within a reasonably short period of time.

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3. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure of financial assets as of August 31, available to fund general expenditures and obligations for one year:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 10,763,722	\$ 8,261,032
Accounts receivable, net	67,936	57,498
Pledges receivable	1,887,381	1,840,708
Investments	8,494,030	6,597,215
Beneficial interest in trust and investments held in trust, net	796,600	1,059,940
Funds committed for long-term purposes	2,794,016	2,935,661
Designated investments for investment in property and equipment	878,179	6,175,071
	25,681,864	26,927,125
Less: amounts unavailable for general expenditures within one year		
Board designated operating reserve fund	(6,000,000)	(6,000,000)
Board designated for program expansion	(3,040,569)	(3,066,661)
Donor restricted for a specific purpose, net of restricted funds spent on capital projects not yet placed in service	(2,655,762)	(8,245,214)
	(11,696,331)	(17,311,875)
	\$ 13,985,533	\$ 9,615,250

In addition, as disclosed in Note 10 and as part of its liquidity management, CityTeam maintains two committed lines of credit of \$4,200,000 and \$250,000 in order to manage predictable short-term cycles in which expenditures exceed revenues.

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4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following as of August 31:

	2025	2024
Cash and cash equivalents		
Operating accounts	\$ 2,619,196	\$ 2,153,334
Money market	<u>8,144,526</u>	<u>6,107,698</u>
	<u>10,763,722</u>	<u>8,261,032</u>
Investments		
Certificates of deposit	246,326	485,149
Treasury notes	11,912,568	15,222,798
Other investments	7,331	-
Less: funds committed for long-term purposes	(2,794,016)	(2,935,661)
Less: designated investments for investment in property and equipment	<u>(878,179)</u>	<u>(6,175,071)</u>
	<u>8,494,030</u>	<u>6,597,215</u>
Assets held for long-term purposes		
Funds committed for long-term purposes	2,794,016	2,935,661
Designated investments for investment in property and equipment	<u>878,179</u>	<u>6,175,071</u>
	<u>3,672,195</u>	<u>9,110,732</u>
	<u>\$ 22,929,947</u>	<u>\$ 23,968,979</u>

CityTeam invests in conservative fixed income securities including certificates of deposit ("CDs"), bonds, and Treasury notes.

5. INVENTORY

Inventory consisted of the following as of August 31:

	2025	2024
Clothing	\$ 374,560	\$ 240,600
Food	93,190	172,861
Supplies	<u>88,721</u>	<u>30,558</u>
	<u>\$ 556,471</u>	<u>\$ 444,019</u>

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6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following as of August 31:

	2025	2024
Buildings and improvements	\$ 38,841,376	\$ 38,282,751
Land and improvements	12,253,520	12,036,386
Furniture and equipment	1,715,103	1,702,925
Vehicles	1,840,017	1,765,224
Leasehold improvements	<u>272,340</u>	<u>272,340</u>
	<u>54,922,356</u>	<u>54,059,626</u>
 Accumulated depreciation and amortization	 <u>(16,956,976)</u>	 <u>(15,200,750)</u>
 Construction in progress	 <u>18,471,416</u>	 <u>9,016,591</u>
	 <u><u>\$ 56,436,796</u></u>	 <u><u>\$ 47,875,467</u></u>

Depreciation and amortization expense for the years ended August 31, 2025 and 2024 was \$1,787,375 and \$1,715,777, respectively.

Land and improvements includes \$10,897,479 cost of land that is not depreciable as of both August 31, 2025 and 2024.

The leasehold improvements are primarily upgrades to properties located in San Francisco, California. These improvements were amortized over the life of the respective leases plus lease renewal options. Accumulated amortization on the leasehold improvements is \$272,340 as of both August 31, 2025 and 2024.

In June 2024, CityTeam broke ground on a \$12,600,000 community center at the Grace Village program site, which will provide vocational training, classroom space, private counseling rooms, on site childcare, and other vital services. Approximately \$10,100,000 and \$4,000,000 in costs pertaining to this project was included in construction in progress as of August 31, 2025 and 2024, respectively.

In June 2024, CityTeam finalized the purchase of a 27,445 square foot commercial property in Portland, Oregon, for a total purchase price of \$4,679,699. This property was purchased to facilitate the relocation and expansion of CityTeam Portland's shelter, men's residential services, and central operations. These acquisition costs will remain in construction in progress until completion of construction to convert the mixed use building into a residential care facility and emergency shelter for men. Approximately \$8,000,000 and \$4,800,000 in costs pertaining to this project was included in construction in progress as of August 31, 2025 and 2024, respectively.

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7. BENEFICIAL INTEREST IN TRUST

CityTeam was named a beneficiary of a trust which became irrevocable during the year ended August 31, 2024. Under the terms of the trust, CityTeam was entitled to 10% of the trust estate and CityTeam will receive the remaining principal upon the trust's termination.

The trust primarily held investments in two private limited partnerships as its underlying assets, which were valued by the trustee based on the partnerships' most recent financial information, adjusted for market conditions where applicable. Due to the nature of these investments, the valuation is subject to inherent uncertainties, which may affect the reported fair values of CityTeam's beneficial interest.

The change in the value of CityTeam's beneficial interest is reflected in the statement of activities as unrealized gains or losses. The assets held in the trust are managed solely by a third party administrator, and CityTeam does not exercise control over investment decisions.

During the year ended August 31, 2025, CityTeam received distributions from the trust in the amount of \$122,000. These funds originated from the liquidation of the trust's interest in one of the limited partnerships in which it was invested, as well as distribution of cash held in the trust's accounts. After liquidation of these items, the final remaining asset held by the trust was a 28.29% interest in a private limited partnership invested in real estate. In May 2025, the trustee of the trust assigned the trust's interest in the limited partnership to the trust's beneficiaries. Accordingly, CityTeam was assigned a 2.829% interest in the limited partnership. As of August 31, 2025, the fair value of the interest in the limited partnership was determined to be \$207,810.

The following table sets forth a summary of changes in the beneficial interest in trust for the year ended August 31, 2025

Balance, August 31, 2024	\$ 342,026
Unrealized losses	(12,216)
Distributions received	(122,000)
Assignment of interest in partnership	<u>(207,810)</u>
Balance, August 31, 2025	<u>\$ -</u>

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended August 31, 2024:

Balance, August 31, 2023	\$ -
Contributions of beneficial interest	862,865
Unrealized losses	(20,839)
Distributions received	<u>(500,000)</u>
Balance, August 31, 2024	<u>\$ 342,026</u>

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8. INVESTMENTS HELD IN TRUST

Based upon U.S. GAAP, the assets of irrevocable split-interest trusts for which CityTeam is the trustee are reported on the financial statements. These assets are reported at their present value, discounted at an average earnings rate over the Trust's term or the grantor's life expectancy. The portion of the trusts attributable to the irrevocable future interest of CityTeam has been recorded in the statement of activities as donor-restricted contributions in the period received or as the value changes.

The balances of the trusts' assets, liabilities and current changes for the year ended August 31, 2025 are:

	<u>Income Beneficiaries and Other Remaindermen</u>	<u>CityTeam Remainder Interest</u>	<u>Total</u>
Fair market value			
As of August 31, 2025	\$ 1,350,944	\$ 796,600	\$ 2,147,544
Present value of remainder interest			
As of August 31, 2024	(561,764)	(717,914)	(1,279,678)
Actuarial adjustment	<u>(63,456)</u>	<u>(78,686)</u>	<u>(142,142)</u>
	<u>(625,220)</u>	<u>(796,600)</u>	<u>(1,421,820)</u>
Liability for the income beneficiary	<u>(725,724)</u>	<u>-</u>	<u>(725,724)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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8. INVESTMENTS HELD IN TRUST (continued)

The balances of the trusts' assets, liabilities and current changes for the year ended August 31, 2024 are:

	<u>Income Beneficiaries and Other Remaindermen</u>	<u>CityTeam Remainder Interest</u>	<u>Total</u>
Fair market value			
As of August 31, 2024	\$ 1,283,386	\$ 717,914	\$ 2,001,300
Present value of remainder interest			
As of August 31, 2023	(478,642)	(633,940)	(1,112,582)
Actuarial adjustment	<u>(83,122)</u>	<u>(83,974)</u>	<u>(167,096)</u>
	<u>(561,764)</u>	<u>(717,914)</u>	<u>(1,279,678)</u>
Liability for the income beneficiary	<u>(721,622)</u>	<u>-</u>	<u>(721,622)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

9. FAIR VALUE MEASUREMENTS

The Organization's assets and liabilities, recorded at fair value, have been categorized based upon a fair value hierarchy in accordance with U.S. GAAP. The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of August 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Brokerage investments				
Money market - interest bearing	\$ 8,144,526	\$ -	\$ -	\$ 8,144,526
Certificates of deposit	246,326	-	-	246,326
Treasury notes	11,912,568	-	-	11,912,568
Investment in limited partnership	-	-	207,810	207,810
Investments held in trust	<u>-</u>	<u>-</u>	<u>2,147,544</u>	<u>2,147,544</u>
	<u>\$ 20,303,420</u>	<u>\$ -</u>	<u>\$ 2,355,354</u>	<u>\$ 22,658,774</u>
Liabilities				
Trust beneficiaries liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,944</u>	<u>\$ 1,350,944</u>

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9. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of August 31, 2024:

	Level 1	Level 2	Level 3	Fair Value
Assets				
Brokerage investments				
Money market - interest bearing	\$ 6,107,698	\$ -	\$ -	\$ 6,107,698
Certificates of deposit	485,149	-	-	485,149
Treasury notes	15,222,798	-	-	15,222,798
Beneficial interest in trust	-	-	342,026	342,026
Investments held in trust	-	-	2,001,300	2,001,300
	\$ 21,815,645	\$ -	\$ 2,343,326	\$ 24,158,971
Liabilities				
Trust beneficiaries liability	\$ -	\$ -	\$ 1,283,386	\$ 1,283,386

The following table sets forth a summary of changes in the fair value of Level 3 investments for the years ended August 31:

	2025	2024
Balance, beginning of year	\$ 2,343,326	\$ 1,774,317
Increase in fair value of assets held in split-interest trusts due to investment changes	146,244	226,983
Contributions of beneficial interest in trust	-	862,865
Unrealized losses on beneficial interest in trust	(12,216)	(20,839)
Distributions received of beneficial interest in trust (see Note 7)	(329,810)	(500,000)
Conversion of beneficial interest in trust to interest in limited partnership (see Note 7)	207,810	-
Balance, end of year	\$ 2,355,354	\$ 2,343,326

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9. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 liabilities for the years ended August 31, 2025 and 2024:

	2025	2024
Balance, beginning of year	\$ 1,283,386	\$ 1,140,378
Increase in split-interest obligations due to actuarial changes	67,558	143,008
Balance, end of year	\$ 1,350,944	\$ 1,283,386

Level 3 Assets include split-interest trust agreements and a beneficial interest in trust. The fair value of the trusts is based on the fair value of the underlying investments. On an annual basis, the Organization revalues the fair market value of the trusts based on current market information (See Note 8 and Note 7).

Level 3 Liabilities include split-interest charitable trust liabilities. On an annual basis, the Organization revalues the liability for distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using applicable mortality rates and a discount rate of 5.2% for the years ended August 31, 2025 and 2024 (See Note 8).

10. LINES OF CREDIT

A \$250,000 line of credit is available from Comercia at the bank's reference rate plus 0.25%. No amounts were borrowed or outstanding on this line of credit as of August 31, 2025 and 2024.

On March 25, 2021, the Organization entered into a \$4,800,000 revolving line of credit loan agreement with Tri Counties Bank secured by the Organization's assets and real estate located in Santa Clara County, California. On October 26, 2022, the agreement was modified, decreasing the amount available to \$4,200,000. It bears a variable interest rate equal to the Wall Street Journal Prime Rate plus 0.75%, not less than 4.00% per annum, and matures on March 25, 2026. No amounts were borrowed or outstanding on this line of credit as of August 31, 2025 and 2024.

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11. NOTES PAYABLE

Notes payable are detailed as follows:

	2025	2024
<p>On November 1, 2020, CityTeam entered into a forgivable loan agreement with the County of Santa Clara in the amount of up to \$272,947 in Homeless Emergency Aid Program ("HEAP") funds, to assist with capital improvements to expand capacity and improve services for homeless individuals and families, located at the street address of 1297 N. 13th, San Jose, California. The loan is secured by a deed of trust, has a term of 10 years after January 31, 2021 and bears a simple interest at a rate of 3% per annum. Payments of principal and interest are deferred until the maturity date of the loan. The unpaid balance of principal and interest shall be forgiven on the maturity date if for the duration of the loan term, the property has been continuously used for emergency/transitional shelter for homeless individuals and/or to provide food distribution for low income and homeless individuals, or the continued use of the property was changed with the County's prior written approval; and no event of default has occurred and is continuing under the loan agreement.</p>	\$	272,947
<p>On August 26, 2021, CityTeam entered into a promissory note agreement with Meriwest Credit Union in the amount of \$1,055,000. The funds disbursed by Meriwest Credit Union to CityTeam under the promissory note were advanced to Meriwest Credit Union by the Federal Home Loan Bank of San Francisco ("FHLB") pursuant to the regulations governing the Affordable Housing Program ("AHP"). Funds were awarded to CityTeam pursuant to its application submitted to the FHLB for CityTeam Ministries San Jose renovation project. The loan is secured by a deed of trust, has a term of 15 years and bears a zero interest rate per annum. Payment of the principal balance and any accrued interest under the note will be due and payable in full on the maturity date; however, if CityTeam complies with all continuing compliance requirements with the terms of the note, the loan will be forgiven and no payments shall be required on maturity date.</p>	1,055,000	1,055,000

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11. NOTES PAYABLE (continued)

	2025	2024
<p>On October 26, 2021, CityTeam entered into a promissory note with Wells Fargo National Bank West in the amount of \$1,100,000. The funds disbursed by Wells Fargo National Bank West to CityTeam under this promissory note were advanced to Wells Fargo National Bank West by the FHLB of San Francisco pursuant to the Regulations governing the AHP. Funds were awarded to CityTeam pursuant to its application submitted to the Federal Home Loan Bank of San Francisco for the CityTeam Oakland Renewal project. The loan is secured by a deed of trust and has a term of 15 years and bears a zero interest rate per annum. Payment of the principal balance and any accrued interest under the note will be due and payable in full on the maturity date, however, if CityTeam complies with all continuing compliance requirements with the terms of the note, the loan will be forgiven and no payments shall be required on maturity date.</p>	1,100,000	1,100,000
<p>On December 9, 2021, CityTeam entered into an AHP Subsidy Agreement with Wells Fargo National Bank West in the amount of \$750,000. The funds disbursed by Wells Fargo National Bank West to CityTeam under this agreement were advanced to Wells Fargo National Bank West by the FHLB of Des Moines pursuant to the Regulations governing the AHP. Funds were awarded to CityTeam pursuant to its application submitted to the Federal Home Loan Bank of Des Moines for the Grace Village I project. The loan is secured by an Agreement of Covenants and Restrictions and has a term of 15 years and bears a zero interest rate per annum. Payment of the principal balance and any accrued interest under the note will be due and payable in full on the maturity date, however, if CityTeam complies with all continuing compliance requirements with the terms of the note, the loan will be forgiven and no payments shall be required on maturity date.</p>	750,000	750,000

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11. NOTES PAYABLE (continued)

	<u>2025</u>	<u>2024</u>
<p>On June 25, 2024, CityTeam entered into a business loan agreement with Summit Bank in the amount of \$1,000,000. The loan is secured by a deed of trust, bears a 7% interest rate per annum and has a maturity date of June 25, 2025. On the accompanying August 31, 2024 statement of financial position, the loan balance was classified as a current liability. The loan was paid back in full as of the maturity date.</p>	-	1,000,000
<p>On December 10, 2024, CityTeam entered into an AHP subsidy agreement with Summit Bank in the amount of \$3,000,000. The funds disbursed by Summit Bank to CityTeam under this agreement were advanced to Summit Bank by the FHLB of Des Moines pursuant to the Regulations governing the AHP. Funds were awarded to CityTeam pursuant to its application submitted to the Federal Home Loan Bank of Des Moines for the Portland Overland project. The loan is secured by an Agreement of Covenants and Restrictions and has a term of 15 years and bears a zero interest rate per annum. Payment of the principal balance and any accrued interest under the note will be due and payable in full on December 10, 2029, however, if CityTeam complies with all continuing compliance requirements with the terms of the note, the loan will be forgiven and no payments shall be required on maturity date.</p>	<u>2,753,124</u>	<u>-</u>
	<u>\$ 5,931,071</u>	<u>\$ 4,177,947</u>

The future maturities of the notes payable are as follows:

<u>Year ending August 31,</u>	
2026	\$ -
2027	-
2028	-
2029	-
2030	-
Thereafter	<u>5,931,071</u>
	<u>\$ 5,931,071</u>

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11. NOTES PAYABLE (continued)

Interest expense on the notes payable was \$61,271 and \$19,489 during the years ended August 31, 2025 and 2024, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31, 2025 and 2024 consist of grants and contributions received for various restricted projects. The nature and amount of the restrictions are as follows:

	2025	2024
Programs	\$ 980,982	\$ 1,010,203
Trusts	796,600	1,059,940
Capital	10,110,430	8,336,977
	11,888,012	10,407,120
Time restricted net assets	1,887,381	1,840,708
	\$ 13,775,393	\$ 12,247,828

Net assets with donor restrictions released from restriction during the year were as follows:

	2025	2024
Programs	\$ 181,061	\$ 506,792
Capital	219,472	279,609
Trust	342,027	-
Time	-	299,754
	\$ 742,560	\$ 1,086,155

13. BOARD OF TRUSTEES DESIGNATED NET ASSETS

Net assets designated for specified purposes as of August 31, 2025 and 2024 were as follows:

	2025	2024
Operating reserve	\$ 6,000,000	\$ 6,000,000
Elevate program expansion	115,553	-
Vision Fund short-term	131,000	131,000
Vision Fund long-term	2,794,016	2,935,661
	\$ 9,040,569	\$ 9,066,661

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13. BOARD OF TRUSTEES DESIGNATED NET ASSETS (continued)

In 2025, the operating reserve remained at \$6,000,000, covering approximately three and a half months of the coming fiscal year's budget. Also in 2025, the Board designated funds of \$115,553 from an estate gift to be used for program expansion around San Jose, California. The Vision Fund was established in 2019, when the Board designated the proceeds of \$17,364,962 from the sale of the two buildings on Zanker Road in San Jose, California to be used for long-term capital expansion purposes (the "Vision Fund"). The Board also approved a portion of the Vision Fund to be used for short-term operational funding for newly launched programs. All projects receiving Vision Funds require prior Board approval.

14. PENSION PLAN

The employee retirement plan, which qualifies as a 403(b) plan, covers all employees who have completed one year of service, are at least 21 years old and work at least an average of 20 hours a week. Employer contributions vest to the employee over six years. Employees' contributions are always fully vested. Age and service requirements do not apply to the employees' ability to make salary reduction contributions to this plan.

For the years ended August 31, 2025 and 2024, the employer contribution rate was 3%. Contributions on behalf of all qualified employees totaled \$158,559 and \$139,811 for the years ended August 31, 2025 and 2024, respectively.

15. RENTAL INCOME

During the year ended August 31, 2023, CityTeam entered into a rental lease with a tenant for a 30,000 square foot building located in San Jose, California. Monthly base rent of \$46,426 began on December 1, 2022, and the lease term ends November 30, 2027. Annual increases are set at 4%. The cost basis of this property is \$1,935,418 and the associated accumulated depreciation was \$728,517 and \$689,679 as of August 31, 2025 and 2024, respectively.

On April 1, 2021, CityTeam purchased a 50-unit apartment complex in San Jose, California ("the Tripp property") and entered into an agreement with a third party to manage the property. CityTeam earned an average monthly gross rent in the amount of \$15,000 and \$29,000 during the years ended August 31, 2025 and 2024, respectively. As apartments are vacated, they are being renovated and transferred for use in the Grace Village residential program for women and children. The cost basis of this property is \$15,740,581 and \$15,382,011 and the associated accumulated depreciation was \$1,592,536 and \$1,190,634 as of August 31, 2025 and 2024 respectively.

During the years ended August 31, 2025 and 2024, \$1,077,667 and \$1,105,289, respectively, of gross rental income was generated from tenants. Rental income reported on the statement of activities includes rents from properties with lease terms less than one year that are not included above.

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16. IN-KIND CONTRIBUTIONS

The estimated fair value of donated food, clothing, supplies, professional services and property and equipment received are recorded as contributions. Donated non-government food was valued at \$1.90 and \$1.97 per pound for the years ended August 31, 2025 and 2024, respectively. Donated government food was valued at \$1.72 and \$1.74, per pound for the years ended August 31, 2025 and 2024, respectively. These valuations were based on cost studies conducted for Feeding America. Donated clothing was valued using "It's Deductible" tax year 2025 and 2024 software, which is based on published studies performed on eBay sales of used clothing, toys and other household items. Donated supplies was valued using the estimated wholesale values that would be paid for similar products in the United States. Professional services were valued using the standard hourly rate for similar or identical services. Donated property and equipment was valued using the donor's statement of cost for new items. Donated used property and equipment was valued based on comparable used items for sale.

The estimated fair value of donated food, clothing, supplies, professional services and property and equipment recorded as contributions during the year ended August 31 is as follows:

	2025	2024
Food	\$ 11,373,690	\$ 13,999,616
Clothing	4,275,926	3,092,323
Supplies	1,974,517	1,646,759
Professional services	289,178	157,684
Property and equipment - capitalized	35,000	-
Rent	25,958	-
	\$ 17,974,269	\$ 18,896,382

The donated goods and services above received during the years ended August 31, 2025 and 2024 include no donor restrictions. Professional services include donated legal, counseling, specialized labor and medical services. Property and equipment includes donated construction materials and furniture. All donated goods and services were used in CityTeam's Caring for Immediate Needs and Enabling Lasting Solutions programs.

CityTeam also receives donated services that do not require specific expertise but are nonetheless central to CityTeam's operations. During the years ended August 31, 2025 and 2024, active volunteers donated 80,350 and 71,400 hours of time valued at approximately \$3,181,000 and \$2,710,000, respectively to the Organization. The value of volunteer time is based on the estimated hourly value of volunteer time in the United States as determined by Independent Sector (independentsector.org). Independent Sector estimates this hourly average based on average annual wages of non-management, non-agricultural workers, as provided by the Bureau of Labor Statistics, increased by 15.7 percent for estimated fringe benefits. Active volunteers are defined as any person, including corporate volunteers, who gives any amount of volunteer service hours in a one-year period. The value of these services are not reflected in the financial statements.

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17. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES") and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to \$10,000 per employee, that an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020 and before January 1, 2022.

During the year ended August 31, 2024, the Organization applied for the ERC and calculated a total credit of \$1,789,538 for wages paid during the period from April 2020 through June 2021. As the Organization had substantially met the program's eligibility conditions during the year ended August 31, 2024, the Organization recognized income for the ERC during the year then ended. During the year ended August 31, 2025, the Organization received ERC payments and interest of \$1,019,339, and the remaining balance of \$908,624 remained outstanding as of August 31, 2025.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2026, which is the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of CityTeam's financial statements.

SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
CityTeam Ministries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CityTeam Ministries (the "Organization"), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 20, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Armanino LLP".

Dallas, Texas

January 20, 2026



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees  
CityTeam Ministries

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited CityTeam Ministries (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Organization as of and for the year ended August 31, 2025, and have issued our report thereon dated January 20, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Dallas, Texas

January 20, 2026

CityTeam Ministries  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S Department of Agriculture			
Food Distribution Cluster - Emergency Food Assistance Program			
Pass-through program from:			
Second Harvest Silicon Valley	10.569		\$ 648,377
Philabundance	10.569		139,352
Oregon Food Bank	10.569		6,445
Philabundance	10.568		<u>5,160</u>
			<u>799,334</u>
Total Food Distribution Cluster - Emergency Food Assistance Program			<u>799,334</u>
Pandemic Relief Activities: Local Food Purchase Agreements			
Pass-through program from:			
Philabundance	10.182		71,440
Second Harvest of Silicon Valley	10.182		<u>10,568</u>
Total Pandemic Relief Activities: Local Food Purchase Agreements			<u>82,008</u>
Total U.S Department of Agriculture			<u>881,342</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program			
Pass-through program from:			
Second Harvest Silicon Valley	97.024		<u>2,709</u>
Total U.S. Department of Homeland Security			<u>2,709</u>
Total Expenditures of Federal Awards			<u><u>\$ 884,051</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

CityTeam Ministries  
Notes to Schedule of Expenditures of Federal Awards  
August 31, 2025

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of CityTeam Ministries (the "Organization") under programs of the federal government for the year ended August 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected to not use the 10% de minimus indirect cost rate for federal awards. The Organization applies indirect costs in accordance with the specific terms of its federal award agreements.

CityTeam Ministries  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Food Distribution Cluster - Emergency Food Assistance Program (Administrative Costs)	10.568
Food Distribution Cluster - Emergency Food Assistance Program (Food Commodities)	10.569
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

CityTeam Ministries  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2025

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

CityTeam Ministries  
Summary Schedule of Prior Audit Findings  
For the Year Ended August 31, 2025

There were no prior year findings.