

CityTeam Ministries

Financial Statements

August 31, 2021
(With Comparative Totals for 2020)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3 - 4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7 - 8
Notes to Financial Statements	9 - 28



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
CityTeam Ministries
San Jose, California

We have audited the accompanying financial statements of CityTeam Ministries (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CityTeam Ministries as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Emphasis of Matter

As discussed in Note 16 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

Report on Summarized Comparative Information

The financial statements of CityTeam Ministries as of August 31, 2020, were audited by other auditors whose report dated January 27, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

February 4, 2022

CityTeam Ministries
Statement of Financial Position
August 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,736,425	\$ 2,933,092
Accounts receivable	111,442	71,174
Pledges receivable	115,500	-
Inventory	481,285	-
Investments	7,928,879	6,334,755
Prepaid expenses	606,352	487,875
Total current assets	13,979,883	9,826,896
Property and equipment, net	30,562,160	14,609,071
Other assets		
Deposits	16,860	15,360
Investments held in trust	1,986,067	1,733,789
Funds committed for long-term purposes	7,811,156	14,771,783
Designated investments for investment in property and equipment	3,001,428	-
Designated cash and cash equivalents for investment in property and equipment	-	665,416
Total other assets	12,815,511	17,186,348
Total assets	\$ 57,357,554	\$ 41,622,315

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

CityTeam Ministries
Statement of Financial Position
August 31, 2021
(With Comparative Totals for 2020)

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 623,423	\$ 339,309
Accrued expenses	463,772	545,415
Deferred revenue	26,465	-
Notes payable, current portion	750,000	856,360
Total current liabilities	1,863,660	1,741,084
Long-term liabilities		
Deposits	36,000	36,000
Notes payable, net of current portion	1,327,947	706,778
Trust beneficiaries liability	1,300,387	1,146,741
Total long-term liabilities	2,664,334	1,889,519
Total liabilities	4,527,994	3,630,603
Commitments and contingencies (Note 16)		
Net assets		
Without donor restrictions		
Undesignated	4,205,764	1,632,591
Net investment in property and equipment	29,143,317	14,609,071
Board-designated (Note 13)	14,347,863	19,230,346
Total without donor restrictions	47,696,944	35,472,008
With donor restrictions (Note 12)	5,132,616	2,519,704
Total net assets	52,829,560	37,991,712
 Total liabilities and net assets	 \$ 57,357,554	 \$ 41,622,315

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

CityTeam Ministries
Statement of Activities
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Support and Revenue				
Support				
Grants and contributions	\$ 21,960,019	\$ 3,100,829	\$ 25,060,848	\$ 15,224,929
Fundraising events, net of direct expenses of \$13,269 for 2021 and \$98,250 for 2020	776,310	-	776,310	1,057,532
In-kind contributions	<u>14,839,392</u>	<u>-</u>	<u>14,839,392</u>	<u>12,502,113</u>
Total support	<u>37,575,721</u>	<u>3,100,829</u>	<u>40,676,550</u>	<u>28,784,574</u>
Revenue				
Rental income, net of expenses of \$364,018 for 2021 and \$85,495 for 2020	466,166	-	466,166	379,508
Paycheck Protection Program loan forgiveness	1,575,456	-	1,575,456	-
Program revenue	502,122	-	502,122	757,664
Realized and unrealized losses on investments	(6,653)	-	(6,653)	(40,838)
Interest and dividend income	19,671	-	19,671	300,438
Other revenue	130,282	-	130,282	42,094
Losses on disposal of property and equipment	<u>(22,678)</u>	<u>-</u>	<u>(22,678)</u>	<u>(689)</u>
Total revenue	<u>2,664,366</u>	<u>-</u>	<u>2,664,366</u>	<u>1,438,177</u>
Total support and revenue	40,240,087	3,100,829	43,340,916	30,222,751
Net assets released from restriction	<u>487,917</u>	<u>(487,917)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restriction	<u>40,728,004</u>	<u>2,612,912</u>	<u>43,340,916</u>	<u>30,222,751</u>
Functional expenses				
Program services	22,328,226	-	22,328,226	20,763,039
Management and general	2,627,186	-	2,627,186	2,549,547
Fundraising	<u>3,547,656</u>	<u>-</u>	<u>3,547,656</u>	<u>3,435,279</u>
Total functional expenses	<u>28,503,068</u>	<u>-</u>	<u>28,503,068</u>	<u>26,747,865</u>
Change in net assets	12,224,936	2,612,912	14,837,848	3,474,886
Net assets, beginning of year	<u>35,472,008</u>	<u>2,519,704</u>	<u>37,991,712</u>	<u>34,516,826</u>
Net assets, end of year	<u>\$ 47,696,944</u>	<u>\$ 5,132,616</u>	<u>\$ 52,829,560</u>	<u>\$ 37,991,712</u>

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

CityTeam Ministries
Statement of Functional Expenses
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and staff expenses					
Salaries and wages	\$ 3,617,890	\$ 1,203,101	\$ 937,130	\$ 5,758,121	\$ 6,109,268
Staff benefits and other expenses	1,201,596	386,710	220,086	1,808,392	1,798,053
Contract services	18,546	74,914	-	93,460	69,891
Total salaries and staff expenses	4,838,032	1,664,725	1,157,216	7,659,973	7,977,212
Donated program materials	14,028,548	-	-	14,028,548	12,323,472
Marketing, advertising and promotion	-	-	2,058,560	2,058,560	1,650,115
Occupancy	1,478,478	412,997	101,446	1,992,921	1,905,503
Depreciation and amortization	682,135	159,780	6,719	848,634	705,639
Program supplies and client services	498,384	-	-	498,384	487,507
Information technology	229,132	89,135	101,717	419,984	412,790
Legal and professional fees	16,500	287,949	4,000	308,449	448,214
Insurance	213,323	45,691	9,652	268,666	227,158
Bank fees and interest	2,063	256,373	-	258,436	181,080
Vehicle expenses	217,942	1,680	-	219,622	181,622
Office expenses	38,365	48,002	97,082	183,449	152,217
Donated services	72,787	-	-	72,787	125,234
Miscellaneous	4,047	15,108	10,537	29,692	20,724
Conferences, meetings and travel	8,490	9,764	727	18,981	34,873
Fundraising event expenses	-	-	13,269	13,269	98,250
Total	22,328,226	2,991,204	3,560,925	28,880,355	26,931,610
Less: direct fundraising event expenses netted with revenue on statement of activities	-	-	(13,269)	(13,269)	(98,250)
Less: non-operating expenses netted with revenue on statement of activities	-	(364,018)	-	(364,018)	(85,495)
	\$ 22,328,226	\$ 2,627,186	\$ 3,547,656	\$ 28,503,068	\$ 26,747,865
Percentage of total	78.4 %	9.2 %	12.4 %	100.0 %	

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

CityTeam Ministries
Statement of Cash Flows
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 14,837,848	\$ 3,474,886
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	848,634	705,639
Losses on disposal of property and equipment	22,678	689
Donated property and equipment	(105,798)	(53,407)
Capitalized donated professional services	(150,974)	-
Donated stock	(42,746)	-
Realized and unrealized losses on investments	6,653	40,838
Paycheck Protection Program loan forgiveness	(1,575,456)	-
Non-cash interest on Paycheck Protection Program loan	12,318	-
Donated inventory	(481,285)	-
Contributions restricted for investment in property and equipment	(10,171,813)	(1,019,931)
Changes in operating assets and liabilities		
Accounts receivable	(40,268)	(16,894)
Pledges receivable	(115,500)	-
Prepaid expenses	(118,477)	(114,200)
Investments held in trust	(252,278)	(103,521)
Accounts payable	284,114	93,692
Accrued expenses	(81,643)	104,057
Deferred revenue	26,465	(41,037)
Deposits	(1,500)	15,000
Post-employment liability	-	(98,068)
Trust beneficiaries liability	153,646	62,860
Net cash provided by operating activities	<u>3,054,618</u>	<u>3,050,603</u>
Cash flows from investing activities		
Proceeds from sale of investments	52,774,998	19,077,223
Purchase of investments	(50,373,830)	(22,015,319)
Proceeds from sales of property and equipment	-	1,251
Purchase of property and equipment	(16,567,629)	(3,176,562)
Net cash used in investing activities	<u>(14,166,461)</u>	<u>(6,113,407)</u>
Cash flows from financing activities		
Proceeds from borrowing on notes payable	2,077,947	-
Contributions restricted for investment in property and equipment	10,171,813	1,019,931
Proceeds from Paycheck Protection Program forgivable loan	-	1,563,138
Funds committed for long-term purposes	-	(250,000)
Net cash provided by financing activities	<u>12,249,760</u>	<u>2,333,069</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	1,137,917	(729,735)
Cash, cash equivalents and restricted cash, beginning of year	<u>3,598,508</u>	<u>4,328,243</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,736,425</u>	<u>\$ 3,598,508</u>

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

CityTeam Ministries
Statement of Cash Flows
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 4,736,425	\$ 2,933,092
Designated cash and cash equivalents for investment in property and equipment	-	665,416
	\$ 4,736,425	\$ 3,598,508

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 11,574	\$ -
--	-----------	------

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

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

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.

Through an extended pandemic, and thanks to generous community support, 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 for a larger number of neighborhoods, helping meet the new needs that surfaced due to COVID-19 harsh economic impacts to vulnerable neighbors.

CityTeam is also responding to these growing needs by broadening its programs. The Organization knows the best way to prevent homelessness is to stop it before it takes hold of someone's life. To that end, CityTeam's strategic plan and five-year vision is designed to continue its core food, shelter, and residential programs, while expanding its focus on preventing homelessness. The Organization is moving rapidly to address the changing dynamics of urban poverty and homelessness with new and expanded solutions. In 2021, CityTeam purchased a 50-unit apartment complex to provide transitional housing for women and children fleeing domestic violence, experiencing homelessness, or surviving financial crisis. The goal is to equip, enable and support female head of households from underserved groups below the poverty line, to be able to live and flourish in Silicon Valley by providing access to vocational training, and assistance in overcoming opportunity barriers.

Programs – Caring for Immediate Needs

CityTeam in the Neighborhood – Neighborhood 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.

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 Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

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

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 ("GAAP"). The significant accounting policies used are described as follows:

Classes of net assets

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 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, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classes of net assets (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.

Contributions

Contributions are recognized as income in the statement of activities when cash or ownership of donated assets is transferred to the Organization. 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 restricted net assets to unrestricted net assets and it is also reported on the statement of activities as "net assets released from 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.

Cash and cash equivalents definition

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. Cash excludes cash and cash equivalents temporarily held for reinvestment in CityTeam's investment portfolio.

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.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 generally accepted accounting principles.

Property and equipment

Property and equipment is recorded at cost if purchased or at fair market value if donated. In accordance with generally accepted accounting principles, no allowance has been made for any appreciation or recognition of current fair market value. The capitalization threshold for fixed assets acquired is \$2,500.

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

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 unrestricted unless restricted by the donor. Ordinary income derived from investments, receivables, and the like, is also treated as unrestricted unless restricted by the donor.

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. 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, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 IT services, are allocated to program and support services based on headcount or estimated usage.

Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles 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.

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.

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

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax exemption 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 publicly supported charity. In September 2019, the Internal Revenue Service re-determined CityTeam's exempt status to be a church, which is still a type of public charity. The Organization was previously required to file annual Form 990 information returns. With the re-determination by the IRS, CityTeam is no longer required to file annual Form 990 information returns. In the interest of transparency, management has decided to voluntarily continue to file annual Form 990 information returns. Contributions to CityTeam Ministries 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, 2020, 2019 and 2018 are still open for IRS examination and, therefore, subject to revision.

Accounting Standards Update

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customer (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019.

CityTeam adopted ASU 2014-09 with a date of the initial application of September 1, 2020, using the modified retrospective method. Analysis of various provisions of this standard resulted in no significant changes in the way CityTeam recognizes revenue, and therefore no changes to the financial statements.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to be comparable with the current year presentation. Reclassifications were made to certain amounts previously reported on the statement of cash flows between the cash flows from operating activities, investing activities, and financing activities categories. 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 Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

3. LIQUIDITY AND FUNDS AVAILABLE (continued)

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 Bonds. 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 of Trustees 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.

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

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 4,736,425	\$ 2,933,092
Investments	7,928,879	6,334,755
Accounts receivable	111,442	71,174
Pledges receivable	115,500	-
Investments held in trust - net	685,680	587,048
Funds committed for long-term purposes	7,811,156	14,771,783
Designated investments for investment in property and equipment	3,001,428	-
Designated cash and cash equivalents for investment in property and equipment	-	665,416
	<u>24,390,510</u>	<u>25,363,268</u>
Less: amounts unavailable for general expenditures within one year		
Board designated operating reserve fund	(6,000,000)	(4,000,000)
Board designated for program expansion	(8,347,863)	(15,230,346)
Donor restricted for time or a specific purpose	(5,132,616)	(2,519,704)
	<u>(19,480,479)</u>	<u>(21,750,050)</u>
	<u>\$ 4,910,031</u>	<u>\$ 3,613,218</u>

In addition, as disclosed in Note 9 and as part of its liquidity management, CityTeam maintains two committed lines of credit of \$4,800,000 and \$250,000 in order to manage predictable short-term cycles in which expenditures exceed revenues.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following as of August 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents		
Demand deposits	\$ 4,465,617	\$ 2,675,935
Money market	270,808	922,573
Less: designated cash and cash equivalents for investment in property and equipment	-	(665,416)
	4,736,425	2,933,092
Investments		
Demand deposits - interest bearing	18,547,314	-
Certificates of deposit	151,403	2,893,781
Treasury notes	-	18,201,712
Other investments	42,746	11,045
Less: funds committed for long-term purposes	(7,811,156)	(14,771,783)
Less: designated investments for investment in property and equipment	(3,001,428)	-
	7,928,879	6,334,755
Assets held for long-term purposes		
Funds committed for long-term purposes	7,811,156	14,771,783
Designated investments for investment in property and equipment	3,001,428	-
Designated cash and cash equivalents for investment in property and equipment	-	665,416
	10,812,584	15,437,199
	\$ 23,477,888	\$ 24,705,046

CityTeam invests in conservative fixed income securities including certificates of deposit, bonds, and Treasury notes. Due to the decline in returns for these investment vehicles to near zero, upon expiration of certificates of deposit and treasury notes, the proceeds have been held in cash and money markets in anticipation of re-investing in a higher interest rate environment.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

5. INVENTORY

Inventory consisted of the following as of August 31, 2021:

Clothing		\$ 242,324
Food		153,990
Supplies		<u>84,971</u>
		<u>\$ 481,285</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of August 31, 2021 and 2020:

	2021	2020
Buildings and improvements	\$ 27,011,193	\$ 16,084,204
Land and improvements	10,852,387	5,961,774
Furniture and equipment	1,611,225	1,649,246
Vehicles	1,173,142	939,136
Leasehold improvements	<u>476,250</u>	<u>472,228</u>
	<u>41,124,197</u>	<u>25,106,588</u>
Accumulated depreciation and amortization	<u>(12,429,490)</u>	<u>(11,867,895)</u>
Construction in progress	<u>1,867,453</u>	<u>1,370,378</u>
	<u>\$ 30,562,160</u>	<u>\$ 14,609,071</u>

Depreciation and amortization expense for the years ended August 31, 2021 and 2020 were \$848,634 and \$705,639, respectively.

Land and improvements includes \$10,267,601 and \$5,525,566 cost of land that is not depreciable as of August 31, 2021 and 2020, respectively.

The leasehold improvements are primarily upgrades to properties located in San Francisco and San Jose, California. These improvements are being amortized over the life of the respective leases plus lease renewal options. Accumulated amortization on the leasehold improvements is \$476,250 and \$472,229 as of August 31, 2021 and 2020, respectively.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

6. PROPERTY AND EQUIPMENT (continued)

In December of 2018, CityTeam sold the properties located at 2302-2306 Zanker Road, San Jose, California. The property was split into two parcels and sold to two buyers. The property located at 2304-2306 Zanker Road was sold for \$8,100,000 and the property located at 2302 Zanker Road was sold for \$10,100,000. The gain on sale was \$14,650,877 and was included in the gain on sale of property on the statement of activities for the year ended August 31, 2019. In keeping with CityTeam's new strategic plan to expand its' programs, proceeds from the sale of the Zanker Road properties were designated by the board for the purpose of long-term capital expansion (the "Vision Fund"). The following properties were acquired during the years ended August 31, 2021 and 2020 using a combination of restricted donor contributions and Vision Funds:

- In August 2020, the Organization purchased a residential property in Oakland, California for \$750,000. The property was purchased for the CityTeam Forward program, a post-recovery program providing bridge housing for men.
- In April 2021, the Organization purchased a residential property in San Jose, California a 50-unit residential building for \$14,552,327. The property was purchased for the expansion of CityTeam programs for women and children in crisis.

7. INVESTMENTS HELD IN TRUST

Based upon generally accepted accounting principles, the assets of irrevocable split-interest trusts for which CityTeam is 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.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

7. INVESTMENTS HELD IN TRUST (continued)

The balances of the trusts' assets, liabilities and current changes for the year ended August 31, 2021 are:

	Income Beneficiaries and Other Remaindermen	CityTeam Remainder Interest	Total
Fair market value			
As of August 31, 2021	<u>\$ 1,300,387</u>	<u>\$ 685,680</u>	<u>\$ 1,986,067</u>
Present value of remainder interest			
As of August 31, 2020	(417,192)	(587,048)	(1,004,240)
Actuarial adjustment	<u>(83,023)</u>	<u>(98,632)</u>	<u>(181,655)</u>
	<u>(500,215)</u>	<u>(685,680)</u>	<u>(1,185,895)</u>
Liability for the income beneficiary	<u>(800,172)</u>	-	<u>(800,172)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The balances of the trusts' assets, liabilities and current changes for the year ended August 31, 2020 are:

	Income Beneficiaries and Other Remaindermen	CityTeam Remainder Interest	Total
Fair market value			
As of August 31, 2020	<u>\$ 1,146,741</u>	<u>\$ 587,048</u>	<u>\$ 1,733,789</u>
Present value of remainder interest			
As of August 31, 2019	(377,053)	(546,387)	(923,440)
Actuarial adjustment	<u>(40,139)</u>	<u>(40,661)</u>	<u>(80,800)</u>
	<u>(417,192)</u>	<u>(587,048)</u>	<u>(1,004,240)</u>
Liability for the income beneficiary	<u>(729,549)</u>	-	<u>(729,549)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

8. 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 generally accepted accounting principles. 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Brokerage investments				
Demand deposit	\$ 18,547,314	\$ -	\$ -	\$ 18,547,314
Certificates of deposit	151,403	-	-	151,403
Equity securities - stock	42,746	-	-	42,746
Funds held in split-interest trusts	<u>-</u>	<u>-</u>	<u>1,986,067</u>	<u>1,986,067</u>
	<u>\$ 18,741,463</u>	<u>\$ -</u>	<u>\$ 1,986,067</u>	<u>\$ 20,727,530</u>
Liabilities				
Trust obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300,387</u>	<u>\$ 1,300,387</u>

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Other investments - stocks and bonds	<u>\$ 11,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,045</u>
Brokerage investments				
Treasury notes	18,201,712	-	-	18,201,712
Certificates of deposit	2,893,781	-	-	2,893,781
Funds held in split-interest trusts	<u>-</u>	<u>-</u>	<u>1,733,789</u>	<u>1,733,789</u>
	<u>\$ 21,106,538</u>	<u>\$ -</u>	<u>\$ 1,733,789</u>	<u>\$ 22,840,327</u>
Liabilities				
Trust obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,146,741</u>	<u>\$ 1,146,741</u>

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

8. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the years ended August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,733,789	\$ 1,630,268
Increase in fair value of assets held in split-interest trusts due to investment changes	<u>252,278</u>	<u>103,521</u>
Balance, end of year	<u><u>\$ 1,986,067</u></u>	<u><u>\$ 1,733,789</u></u>

The following table sets forth a summary of changes in the fair value of Level 3 liabilities for the years ended August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,146,741	\$ 1,181,949
Increase in split-interest obligations due to actuarial changes	153,646	62,860
Severance obligation liability paid	<u>-</u>	<u>(98,068)</u>
Balance, end of year	<u><u>\$ 1,300,387</u></u>	<u><u>\$ 1,146,741</u></u>

Level 3 Assets include split-interest trust agreements. 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 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 1.2% and 0.4% for the years ended August 31, 2021 and 2020, respectively (See Note 7).

9. 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, 2021 and 2020.

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. It bears a variable interest rate equal to the Wall Street Journal Prime Rate plus 0.75%, not less than 4% per annum, and matures on March 25, 2026. No amounts were borrowed or outstanding on this line of credit as of August 31, 2021.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

10. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the “CARES Act”. One component of the CARES Act was the Paycheck Protection Program (“PPP”) which provides small businesses with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury. The PPP provided funds to pay up to 24 weeks of payroll costs including benefits. Funds could also be used to pay interest on mortgages, rent, and utilities.

On April 25, 2020, CityTeam qualified for and received a loan pursuant to the PPP from a qualified lender (the “PPP lender”), for an aggregate principal amount of \$1,558,100. The loan was a two-year loan with a maturity date of April 25, 2022 and bore an annual interest rate of 1%. CityTeam used all loan proceeds to partially subsidize direct payroll and other permitted expenses.

On June 16, 2021, CityTeam received notification that the Small Business Administration issued the forgiveness decision to forgive the entire \$1,558,100 principal loan amount and \$17,356 interest accrued on the PPP loan. The PPP loan forgiveness is recognized as income on the statement of activities for the year ended August 31, 2021.

11. NOTES PAYABLE

Notes payable are detailed as follows:

	2021	2020
<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 County's prior written approval; and no event of default has occurred and is continuing under the loan agreement.</p>	\$ 272,947	\$ -

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

11. NOTES PAYABLE (continued)

	2021	2020
<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	-
<p>On March 25, 2021, CityTeam entered into a business loan agreement with Tri Counties Bank in the amount of \$750,000. The loan is unsecured, has a term of one year and bears a 4% interest rate per annum. CityTeam's payment schedule consists of 11 monthly consecutive payments, beginning May 15, 2021, with interest calculated on the unpaid principal balances at a variable interest rate based on the Wall Street Journal Prime Rate (3.25%), plus a margin of 0.75%, resulting in an initial interest rate of 4%. Payment of the principal balance and any remaining accrued interest under the note will be due and payable in full on the maturity date.</p>	<u>750,000</u> 2,077,947	- -
<p style="padding-left: 40px;">Current portion</p>	<u>(750,000)</u>	-
	<u>\$ 1,327,947</u>	<u>\$ -</u>

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

11. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending August 31,</u>		
2022	\$	750,000
2023		-
2024		-
2025		-
2026		-
Thereafter		<u>1,327,947</u>
	\$	<u><u>2,077,947</u></u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31, 2021 and 2020 consist of grants and contributions received for various restricted projects. The nature and amount of the restrictions are as follows:

	2021	2020
Programs	\$ 1,330,008	\$ 1,267,240
Trusts	685,680	587,048
Capital	<u>3,001,428</u>	<u>665,416</u>
	5,017,116	2,519,704
Time restricted net assets	<u>115,500</u>	<u>-</u>
	<u>\$ 5,132,616</u>	<u>\$ 2,519,704</u>

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

	2021	2020
Program	\$ 446,276	\$ 995,127
Capital	<u>41,641</u>	<u>623,353</u>
	<u>\$ 487,917</u>	<u>\$ 1,618,480</u>

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

13. BOARD OF TRUSTEES DESIGNATED NET ASSETS

Net assets designated for specified purposes as of August 31, 2021 and 2020 were as follows:

	2021	2020
Operating reserve	\$ 6,000,000	\$ 4,000,000
Grace Village fund	197,100	-
Vision Fund short-term	339,607	458,563
Vision Fund long-term	7,811,156	14,771,783
	\$ 14,347,863	\$ 19,230,346

In 2021, the Board increased the operating reserve by \$2,000,000 to \$6,000,000, covering approximately four months of the coming fiscal year's budget. Also in 2021, the Board designated the cash surplus from rental operations of the Tripp property to be used toward construction of the Grace Village program center. In 2019, the Board designated the proceeds 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.

Effective October 1, 2017 the plan was amended to provide for CityTeam to increase the employer contribution from 1.15% to 2%. Effective February 1, 2019, the plan was amended to increase the employer contribution to 2.5%. Effective February 1, 2020, the plan was amended to increase the employer contribution to 3%. Contributions on behalf of all qualified employees totaled \$140,030 and \$129,265 for the years ended August 31, 2021 and 2020.

15. RENTAL INCOME

CityTeam has a rental lease with a tenant for a 30,000 square foot building located in San Jose, California. Amendments to the lease extend the term through August 31, 2022 but early termination is permitted as of August 31, 2021. Monthly payments of \$37,080 were in place for the year ended August 31, 2021. Monthly base rent of \$38,192 began on September 1, 2021. Annual increases are set at 3%. The cost basis of this property is \$1,709,328 and the associated accumulated depreciation is \$598,805.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

15. RENTAL INCOME (continued)

On April 1, 2021, CityTeam purchased a 50-unit apartment complex in San Jose, California and entered into an agreement with a third party to manage the property. CityTeam earned an average monthly gross rent in the amount of \$86,000. 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 \$14,552,327 and the associated accumulated depreciation is \$111,568 as of August 31, 2021.

During the years ended August 31, 2021 and 2020, \$830,184 and \$465,003, 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.

16. COMMITMENTS AND CONTINGENCIES

COVID-19 Impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders.

Since the beginning of the COVID-19 pandemic, the gap in services and economic vitality among vulnerable neighbors in need has widened significantly. CityTeam has focused its efforts on expanding programs and services to provide more immediate help by 1) boosting food assistance, 2) increasing safe, transitional, supportive housing options, and 3) expanding CityTeam at Work services to equip people with more education, training and job qualifications to improve employability and ability to secure living wage jobs. The immensity of local job loss during the pandemic resulted in many more families needing basics such as food, clothing and hygiene supplies. Through its partnership with Second Harvest of Silicon Valley, CityTeam was able to double the number of food pantry sites in Santa Clara County, providing regular deliveries of nutritious, fresh, high quality groceries to families. In order to safely distribute food into the community, Second Harvest of Silicon Valley began providing groceries pre-boxed to partner agencies. Food distribution was changed from walk up service to drive-through with food placed directly into client's trunks without person to person contact.

CityTeam has expanded and raised the level of Health and Safety Protocols and Policies in the area of infectious diseases, closely monitoring the guidelines and mandates set by local authorities, Occupational Safety and Health Administration and the Centers for Disease Control and Prevention. The Organization strives to keep to the highest safety standards including ongoing indoor masking, health screenings, reductions in facility capacities, temporary remote or hybrid work schedules, and employee education on safety measures and vaccinations.

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

16. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitment

The Organization leases facilities under operating lease agreements which require monthly payments ranging from \$1,545 to \$11,360 per month and expiring at various dates through June 2024.

Total annual rent expense was \$403,300 and \$375,796 for the years ended August 31, 2021 and 2020, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending August 31,

2022		\$	56,959
2023			18,658
2024			<u>15,041</u>
		\$	<u><u>90,658</u></u>

17. 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 \$1.79 and \$1.74 per pound for the years ended August 31, 2021 and 2020, respectively. Donated government food was valued at \$1.70 and \$1.49 per pound for the years ended August 31, 2021 and 2020, respectively. These valuations were based on cost studies conducted for Feeding America. Donated clothing was valued based on published studies performed on eBay sales of used clothing, toys, and other household items titled "It's Deductible - Tax Year 2021 and 2020 Software".

The estimated fair value of donated food, clothing, supplies, professional services and property and equipment are recorded as contributions.

	<u>2021</u>		<u>2020</u>
Food	\$ 11,249,388	\$	8,160,169
Clothing	1,801,909		2,186,718
Supplies	1,391,642		1,976,585
Professional services	223,762		125,234
Property and equipment - capitalized	105,798		53,407
Property and equipment below capitalization threshold	<u>66,893</u>		<u>-</u>
	<u><u>\$ 14,839,392</u></u>	<u><u>\$</u></u>	<u><u>12,502,113</u></u>

CityTeam Ministries
Notes to Financial Statements
August 31, 2021
(With Comparative Totals for 2020)

17. IN-KIND CONTRIBUTIONS (continued)

CityTeam also receives donated services that do not require specific expertise but which are nonetheless central to CityTeam's operations. During the years ended August 31, 2021 and 2020, active volunteers donated 22,652 and 52,466 hours of time valued at approximately \$760,000 and \$1,642,000, 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 12 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.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 4, 2022, which is the date the financial statements were available to be issued.

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 Federal Home Loan Bank of San Francisco pursuant to the Regulations governing the Federal Home Loan Bank Affordable Housing Program. Funds were awarded to CityTeam pursuant to its application submitted to the Federal Home Loan Bank of San Francisco for 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.