

SIERRA SERVICE PROJECT

Independent Auditor's Report
and Financial Statements

Year Ended September 30, 2015

**SIERRA SERVICE PROJECT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sierra Service Project
Sacramento, CA

We have audited the accompanying financial statements of Sierra Service Project (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, 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 of 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 Sierra Service Project as of September 30, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with principles generally accepted in the United States of America.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, California
December 14, 2015

**SIERRA SERVICE PROJECT
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015**

Assets

Current assets:

Cash and equivalents	\$ 172,799
Unconditional promises to give	10,140
Accounts receivable	2,791
Inventory	10,139
Prepaid assets	<u>12,836</u>
Total current assets	208,705

Fixed assets, at cost less

accumulated depreciation of \$68,157	30,343
--------------------------------------	--------

Beneficial interest in assets of community foundation

64,760

Total assets

\$ 303,808

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 5,229
Accrued expenses	44,065
Deferred revenue	<u>1,650</u>
Total current liabilities	50,944

Net assets:

Unrestricted	153,935
Temporarily restricted	31,304
Permanently restricted	<u>67,625</u>

Total net assets

252,864

Total liabilities and net assets

\$ 303,808

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

**SIERRA SERVICE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Participation fees, net	\$ 782,803	-	-	\$ 782,803
Donations	267,925	\$ 78,711	-	346,636
Interest revenue	119	-	-	119
Investment gain (loss)	(2,799)	-	-	(2,799)
Other revenue	4,692	-	-	4,692
Net assets released from restrictions	<u>84,932</u>	<u>(84,932)</u>	-	<u>-</u>
 Total support and revenue	 <u>1,137,672</u>	 <u>(6,221)</u>	 <u>-</u>	 <u>1,131,451</u>
Expenses:				
Program services	974,537	-	-	974,537
Management and general	136,246	-	-	136,246
Development	<u>46,959</u>	<u>-</u>	<u>-</u>	<u>46,959</u>
 Total expenses	 <u>1,157,742</u>	 <u>-</u>	 <u>-</u>	 <u>1,157,742</u>
Change in net assets from operations	(20,070)	(6,221)	-	(26,291)
Loss on disposal of assets	<u>(2,370)</u>	<u>-</u>	<u>-</u>	<u>(2,370)</u>
Total change in net assets	(22,440)	(6,221)	-	(28,661)
Net assets, beginning of year	<u>176,375</u>	<u>37,525</u>	<u>\$ 67,625</u>	<u>281,525</u>
Net assets, end of year	<u>\$ 153,935</u>	<u>\$ 31,304</u>	<u>\$ 67,625</u>	<u>\$ 252,864</u>

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

**SIERRA SERVICE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015**

	Program Services	Management and General	Development	Total Expenses
Salaries & wages	\$ 334,337	\$ 48,351	\$ 27,866	\$ 410,554
Payroll taxes	25,178	3,641	2,099	30,918
Employee benefits	28,493	4,121	2,374	34,988
Workers compensation insurance	24,592	3,556	2,050	30,198
Other payroll expenses	2,753	398	229	3,380
Total personnel costs	415,353	60,067	34,618	510,038
Building materials & tools	75,168	4,372	-	79,540
Depreciation	9,719	-	-	9,719
Facility & equipment rentals	87,871	2,733	-	90,604
Food & kitchen supplies	69,265	779	-	70,044
Fuel	16,389	128	-	16,517
Insurance	22,481	3,629	-	26,110
International program expense	107,521	-	-	107,521
Licenses & permits	940	30	250	1,220
Miscellaneous	4,404	2,944	495	7,843
Office supplies	15,309	5,729	1,186	22,224
Postage & delivery	2,188	238	2,601	5,027
Printing	411	94	1,691	2,196
Professional fees	18,244	8,790	-	27,034
Publicity	608	3,144	3,326	7,078
Rent & utilities	9,371	21,588	-	30,959
Site start-up	11,050	-	-	11,050
Tee shirts	17,121	-	2,286	19,407
Telephone & communication	1,686	7,543	-	9,229
Transportation	21,280	8,725	413	30,418
Travel & meals	16,621	4,744	11	21,376
Vehicle maintenance & repair	12,889	335	-	13,224
Vehicle rental	36,028	634	82	36,744
Worship & study	2,620	-	-	2,620
Totals	<u>\$ 974,537</u>	<u>\$ 136,246</u>	<u>\$ 46,959</u>	<u>\$ 1,157,742</u>

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

**SIERRA SERVICE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015**

Cash flows from operating activities:	
Change in net assets	\$ (28,661)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	9,719
Change in beneficial interest in community foundation	2,865
Loss on disposal of fixed assets	4,195
Increase in unconditional promises to give	(10,140)
Increase in accounts receivable	(874)
Increase in prepaid expenses	(3,363)
Decrease in inventory	120
Decrease in accounts payable	(3,029)
Increase in accrued expenses	8,656
Increase in deferred revenue	<u>1,650</u>
Net cash used in operating activities	<u>(18,862)</u>
Net decrease in cash	(18,862)
Cash and equivalents, beginning of year	<u>191,661</u>
Cash and equivalents, end of year	<u><u>\$ 172,799</u></u>
Supplemental disclosure of cash flow information:	
Non-cash donations	<u><u>\$ 50,990</u></u>

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

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF PROGRAM AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Sierra Service Project (SSP), Sacramento, California, is a not-for-profit organization incorporated in 1979 under the General Non-profit Corporation Law of the State of California. The specific and primary purpose for which the organization was formed is to organize and manage service camps for church youth groups. These youth, along with adult counselors, repair Native American homes on reservations and other underserved communities throughout the North American West Coast and Central America. Support and revenue consist primarily of fees for the service camp participants and donor contributions.

Basis of Presentation

The financial statements of SSP have been prepared on the accrual basis of accounting. SSP reports information regarding financial position and activities according to three classes of net assets: unrestricted net asset, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of SSP and/or the passage of time.

Permanently restricted net assets – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions restricted by a donor are reported as increases in unrestricted net assets if restrictions are met (either by passage of time or by use) in the reporting period in which the contributions are recognized. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Revenue recognition

Participant fees are recognized as revenue when the applicable activity is completed. Revenues collected in advance are deferred until earned.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories consist of building materials to be used in SSP's programs during the subsequent fiscal year and are stated at the lower of cost or market, with cost determined by the first-in first-out method.

Fixed Assets

Acquisitions of fixed assets in excess of \$5,000 are capitalized and stated at cost. Donated fixed assets are reported at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Use of Estimates

The preparation of 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 revenue and expenses during the reported period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing the program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Indirect costs are allocated among programs and supporting services based on personnel, space, and other factors.

Income Tax Status

SSP is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California code sections. SSP is considered a public charity and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Management of SSP has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. With few exceptions, SSP is no longer subject to income tax examinations by federal authorities for years ending September 30, 2011 and before, and by state authorities for years ending September 30, 2010 and before.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE B – UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give, which management considers fully collectible within one year, consist of the following at September 30, 2015:

Pledges for matching funds	\$ <u>10,140</u>
Total unconditional promises to give	\$ <u><u>10,140</u></u>

NOTE C – FIXED ASSETS

Fixed assets consisted of the following as of September 30, 2015:

Trailers	\$ 46,452
Vehicles	36,272
Leasehold improvements	10,099
Office furniture	<u>5,678</u>
Subtotal	98,501
Less: accumulated depreciation	<u>(68,157)</u>
Total fixed assets	\$ <u><u>30,344</u></u>

Depreciation expense was \$9,719 for the year ended September 30, 2015.

NOTE D – PENSION PLAN

SSP sponsors a defined contribution 403(b) pension plan covering all full-time employees. Annual contributions are equal to 5% of each eligible employee's gross earnings, and totaled \$7,796 for the year ended September 30, 2015.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE E –RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2015:

General Endowment Fund	\$ 13,705
Unconditional promises to give	10,140
Halle Foundation	4,928
Annenberg Foundation	<u>2,531</u>
 Total temporarily restricted net assets	 <u>\$ 31,304</u>

Permanently restricted net assets consisted of the following at September 30, 2015:

Clem Fund	\$ 42,500
General Endowment Fund	21,290
Scholarship Fund	<u>3,835</u>
 Total permanently restricted net assets	 <u>\$ 67,625</u>

NOTE F – COMMITMENTS

SSP leases office space under a partially-cancellable operating lease, which expires in January 2019 with options to terminate a portion of the lease in December 2015 and 2017. SSP also leases storage space under a non-cancellable operating lease, which expires in August 2016. SSP subleases a portion of the office space under a sublease agreement, expiring in 2017. Sublease payments are based on square footage occupied.

The following is a schedule of future minimum rental payments (net of sublease revenue) required under the above operating leases for the years ended September 30:

2016	\$ 24,322
2017	13,744
2018	14,192
2019	<u>4,780</u>
 Total future minimum rental payments	 <u>\$ 57,038</u>

Rental expense for the year ended September 30, 2015 was \$30,824.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE G – ENDOWMENT

SSP's endowment consists of two donor restricted funds established to provide scholarships in the organization's programs. The Board of Directors of SSP has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SSP classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed in UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The Board of Directors has adopted investment and spending policies for SSP's endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. SSP seeks to maintain purchasing power of the endowment.

To satisfy its long-term rate-of-return, SSP relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SSP targets a diversified asset allocation within prudent risk constraints.

SSP has a goal of appropriating for distribution each year 4% of each of its fund balances. In establishing the goal, the Board of Directors has considered the long-term expected return on the endowment assets. Accordingly, over the long-term, the Board expects the current spending policy to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment returns.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE G – ENDOWMENT (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSP to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$2,865 as of September 30, 2015. This deficiency resulted from unfavorable market fluctuations that occurred over the final three months of the fiscal year.

Endowment net asset composition by type of fund at September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
General Endowment	\$ (2,865)	\$ 13,705	\$ 21,290	\$ 32,130
Clem Fund	-	-	42,500	42,500
Scholarship Fund	-	-	<u>3,835</u>	<u>3,835</u>
Total funds	<u>\$ (2,865)</u>	<u>\$ 13,705</u>	<u>\$ 67,625</u>	<u>\$ 78,465</u>

Changes in endowment net assets for the year ended September 30, 2015:

Endowment net assets, beginning of year	\$ 81,330
Contributions	--
Investment gain (loss)	(2,799)
Administrative fees	<u>(66)</u>
Endowment net assets, end of year	<u>\$ 78,465</u>

NOTE H – FAIR VALUE MEASUREMENTS

SSP follows the FASB Accounting Standards Codification No. 820, *Fair Value Measurement*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, which have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs, which have the lowest priority, use primarily unobserved inputs. SSP uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, SSP measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE H – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets of Community Foundation	\$ 64,760	\$ --	\$ --	\$ 64,760
Total	<u>\$ 64,760</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 64,760</u>

The beneficial interest in assets held by community foundation is valued using Level 3 measurements, as SSP's interest in not redeemable in the near term. The following is a reconciliation of SSP's investments measured using significant unobservable measurements (Level 3) for the year ending September 30, 2015:

Balance, beginning of year	\$ --
Contributions	67,625
Investment gain (loss)	(2,799)
Administrative fees	<u>(66)</u>
Balance, end of year	<u>\$ 64,760</u>

NOTE I – BENEFICIAL INTEREST IN ASSETS OF COMMUNITY FOUNDATION

SSP has transferred assets to the Sacramento Regional Community Foundation (Foundation) to establish an endowment fund. The agreement states that the transfer is irrevocable and that the assets will not be returned to SSP. However, the Foundation will make distributions of income earned on the endowment fund to SSP, subject to the Foundation's spending policy. SSP has granted the Foundation variance power which allows the Foundation, at its sole discretion and subject to certain conditions, to modify any condition or restriction on the distribution of funds. No distributions were received for the year ended September 30, 2015. SSP has recorded a beneficial interest in assets held by the Foundation totaling \$64,760 at September 30, 2015.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE J – DONATED FACILITIES, GOODS AND SERVICES

SSP receives donated facility space from a variety of donors. The amount recognized in the statement of activities as a contribution and donated facilities expense totaled \$45,208 for the year ended September 30, 2015. The value of donated facilities was computed by multiplying the total number of participant nights by the estimated value of \$7.50 per night and subtracting any actual costs incurred directly attributable to the particular facilities. SSP received donated goods valued at \$5,782 for use in the summer camp program.

SSP also received donated services from a variety of unpaid volunteers assisting in leadership, committees, fund-raising activities and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

NOTE K – CONCENTRATIONS OF CREDIT RISK

SSP maintains a majority of its cash in bank deposit accounts that, at times, may exceed federally insured limits. SSP has not experienced any losses in such accounts. Management believes SSP is not exposed to any significant credit risk related to cash.

NOTE L – SUBSEQUENT EVENTS

The management of SSP has reviewed the results of operations for the period of time from its year end September 30, 2015 through December 14, 2015, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.