

SIERRA SERVICE PROJECT

Independent Auditor's Report
and Financial Statements

Year Ended September 30, 2017

**SIERRA SERVICE PROJECT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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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, 2017, 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, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Fritzsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
December 18, 2017

**SIERRA SERVICE PROJECT
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017**

Assets

Current assets:

Cash and equivalents	\$ 160,736
Contributions receivable	47,625
Accounts receivable	4,404
Inventory	7,053
Prepaid assets	<u>7,699</u>

Total current assets	227,517
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Fixed assets, net	56,826
Beneficial interest in assets of community foundation	<u>71,943</u>

Total assets	<u><u>\$ 356,286</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 10,433
Accrued expenses	49,799
Deferred revenue	<u>10,027</u>

Total current liabilities	70,259
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Long-term liabilities:

Rental deposits payable	<u>1,000</u>
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Total liabilities	71,259
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Net assets:

Unrestricted	134,033
Temporarily restricted	79,051
Permanently restricted	<u>71,943</u>

Total net assets	<u>285,027</u>
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Total liabilities and net assets	<u><u>\$ 356,286</u></u>
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The accompanying notes are an integral part of these financial statements.

**SIERRA SERVICE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Participation fees, net	\$ 699,157	-	-	\$ 699,157
Donations	278,516	\$ 103,815	-	382,331
Investment income	-	-	\$ 8,238	8,238
Other revenue	2,308	-	-	2,308
Net assets released from restrictions	<u>88,050</u>	<u>(84,130)</u>	<u>(3,920)</u>	<u>-</u>
 Total support and revenue	 <u>1,068,031</u>	 <u>19,685</u>	 <u>4,318</u>	 <u>1,092,034</u>
 Expenses:				
Program services	856,815	-	-	856,815
Management and general	154,995	-	-	154,995
Development	<u>66,287</u>	<u>-</u>	<u>-</u>	<u>66,287</u>
 Total expenses	 <u>1,078,097</u>	 <u>-</u>	 <u>-</u>	 <u>1,078,097</u>
 Change in net assets from operations	 (10,066)	 19,685	 4,318	 13,937
Gain on disposal of fixed assets	<u>4,836</u>	<u>-</u>	<u>-</u>	<u>4,836</u>
 Total change in net assets	 (5,230)	 19,685	 4,318	 18,773
Net assets, beginning of year	<u>139,263</u>	<u>59,366</u>	<u>67,625</u>	<u>266,254</u>
Net assets, end of year	<u>\$ 134,033</u>	<u>\$ 79,051</u>	<u>\$ 71,943</u>	<u>\$ 285,027</u>

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

SIERRA SERVICE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Management and General	Development	Total Expenses
Salaries & wages	\$ 322,674	\$ 64,572	\$ 46,325	\$ 433,571
Payroll taxes	24,475	4,898	3,514	32,887
Employee benefits	24,271	4,857	3,485	32,613
Workers' compensation insurance	19,479	3,898	2,797	26,174
Other payroll expenses	-	3,980	-	3,980
Total personnel costs	390,899	82,205	56,121	529,225
Building materials & tools	92,299	1,531	-	93,830
Credit card processing fees	-	10,516	-	10,516
Depreciation	20,441	-	-	20,441
Facility & equipment rentals	74,998	150	-	75,148
Food & kitchen supplies	73,418	1,086	-	74,504
Fuel	16,184	8	-	16,192
Insurance	25,788	3,758	-	29,546
Licenses & permits	1,042	340	275	1,657
Miscellaneous	4,322	273	-	4,595
Office supplies	18,974	5,710	2,040	26,724
Postage & delivery	2,848	-	802	3,650
Printing & copying	1,523	2	363	1,888
Professional fees	1,525	16,325	2,350	20,200
Publicity	4,746	239	3,464	8,449
Rent & utilities	8,297	15,321	-	23,618
Site start-up	8,029	65	-	8,094
T-shirts	17,427	-	872	18,299
Telephone & communication	608	6,465	-	7,073
Transportation	14,938	7,017	-	21,955
Travel & meals	17,856	3,937	-	21,793
Vehicle maintenance & repair	15,257	-	-	15,257
Vehicle rental	37,877	47	-	37,924
Worship & study	7,519	-	-	7,519
Totals	<u>\$ 856,815</u>	<u>\$ 154,995</u>	<u>\$ 66,287</u>	<u>\$ 1,078,097</u>

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

**SIERRA SERVICE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017**

Cash flows from operating activities:	
Change in net assets	\$ 18,773
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	20,441
Gain on disposal of fixed assets	(4,836)
Increase in beneficial interest in community foundation	(5,648)
Increase in contributions receivable	(39,312)
Increase in accounts receivable	(2,842)
Decrease in prepaid expenses	8,290
Decrease in inventory	3,858
Decrease in accounts payable	(1,030)
Increase in accrued expenses	547
Increase in deferred revenue	9,277
Increase in rental deposits payable	<u>220</u>
Net cash provided by operating activities	<u>7,738</u>
Cash flows from investing activities:	
Purchases of fixed assets	(5,300)
Proceeds from sales of fixed assets	<u>6,000</u>
Net cash provided by investing activities	<u>700</u>
Net increase in cash	8,438
Cash and equivalents, beginning of year	<u>152,298</u>
Cash and equivalents, end of year	<u><u>\$ 160,736</u></u>

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

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

NOTE A – NATURE OF THE 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.

NOTE B – SUMMARY OF PROGRAM AND SIGNIFICANT ACCOUNTING POLICIES

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, 2017**

NOTE B – 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.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable, which management considers fully collectible within one year, consist of the following at September 30, 2017:

Young Clergy Initiative	\$ 29,625
Promised funds for the 2017-18 fiscal year	<u>18,000</u>
Total contributions receivable	<u>\$ 47,625</u>

NOTE D – FIXED ASSETS

Fixed assets consisted of the following as of September 30, 2017:

Trailers	\$ 46,452
Vehicles	66,232
Leasehold improvements	29,899
Office furniture	<u>5,678</u>
Subtotal	148,261
Less: accumulated depreciation	<u>(91,435)</u>
Total fixed assets	<u>\$ 56,826</u>

Depreciation expense was \$20,441 for the year ended September 30, 2017.

NOTE E – 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 \$11,709 for the year ended September 30, 2017.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

NOTE F – RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2017:

Young Clergy Initiative	\$ 34,943
Promised funds for the 2017-18 fiscal year	18,000
General endowment fund	13,705
Grimm Scholarships	10,495
Halle Foundation Scholarships	<u>1,908</u>
 Total temporarily restricted net assets	 <u>\$ 79,051</u>

Permanently restricted net assets consisted of the following at September 30, 2017:

Beneficial interest in assets of community foundation	<u>\$ 71,943</u>
 Total permanently restricted net assets	 <u>\$ 71,943</u>

NOTE G – COMMITMENTS

SSP leases office space under a partially-cancellable operating lease, which expires in February 2022 with options to terminate a portion of the lease in Mach 2020. SSP also leases storage space under a non-cancellable operating lease, which expires in May 2021. Lastly, SSP collects rent from a portion of their office space under a sublease agreement, expiring in February 2019. 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:

2018	\$ 20,775
2019	29,025
2020	35,350
2021	32,950
2022	<u>11,000</u>
 Total future minimum rental payments	 <u>\$ 129,100</u>

Net rental expense was \$20,738 for the year ended September 30, 2017.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

NOTE H – ENDOWMENT

SSP's endowment consists of 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. 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, 2017**

NOTE H – ENDOWMENT (continued)

Endowment net asset composition at September 30, 2017:

	<u>Temporarily Restricted</u>	<u>Total</u>
General endowment	\$ 13,705	\$ 13,705
Total funds	<u>\$ 13,705</u>	<u>\$ 13,705</u>

Changes in endowment net assets for the year ended September 30, 2017:

	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 13,705	\$ 13,705
Contributions	-	-
Investment gain (loss)	-	-
Distributions	-	-
Administrative fees	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 13,705</u>	<u>\$ 13,705</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. A distribution of \$2,590 was received during the year ended September 30, 2017. SSP has recorded a beneficial interest in assets held by the Foundation totaling \$71,943 at September 30, 2017.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

NOTE J – 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.

Fair values of assets measured on a recurring basis at September 30, 2017 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	\$ 71,943	\$ -	\$ -	\$ 71,943
Total	<u>\$ 71,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,943</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, 2017:

Balance, beginning of year	\$ 66,295
Investment gain (loss)	8,920
Distributions	(2,590)
Administrative fees	<u>(682)</u>
Balance, end of year	<u>\$ 71,943</u>

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017**

NOTE K – 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 \$43,198 for the year ended September 30, 2017. 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 \$13,460 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 L – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject SSP to concentrations of credit risk consist of cash deposits and investments. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. As of September 30, 2017, there were no cash deposits in excess of FDIC limits. Investments are subject to a formal investment policy, which provides for diversification and oversight. Balances in investment accounts are not insured. Management believes that SSP is not exposed to any significant credit risk related to cash and investments.

NOTE M – SUBSEQUENT EVENTS

The management of SSP has reviewed the results of operations for the period of time from its year end September 30, 2017 through December 18, 2017, 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.