

SIERRA SERVICE PROJECT

Independent Auditor's Report
and Financial Statements

Year Ended September 30, 2021

**SIERRA SERVICE PROJECT
YEAR ENDED SEPTEMBER 30, 2021**

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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, 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 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, 2021, 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
February 17, 2022

**SIERRA SERVICE PROJECT
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021**

Assets

Cash and equivalents	\$	320,807
Contributions receivable		58,656
Accounts receivable		215
Inventory		13,912
Prepaid assets		9,009
Fixed assets, net		837
Beneficial interest in assets of community foundation		<u>88,901</u>
 Total assets	 \$	 <u><u>492,337</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$	7,546
Accrued expenses		26,049
Deferred revenue		93,829
Refundable advance		11,815
Rental deposits payable		<u>1,000</u>
 Total liabilities		 <u>140,239</u>

Net assets:

Without donor restrictions		150,942
With donor restrictions		<u>201,156</u>
 Total net assets		 <u>352,098</u>
 Total liabilities and net assets	 \$	 <u><u>492,337</u></u>

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

**SIERRA SERVICE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Participation fees, net	\$ 14,855	-	\$ 14,855
Contributions	488,404	\$ 15,000	503,404
Other revenue	25,095	-	25,095
Change in beneficial interest, net	-	18,858	18,858
Net assets released from restrictions	34,816	(34,816)	-
Total support and revenue	<u>563,170</u>	<u>(958)</u>	<u>562,212</u>
Expenses:			
Program services:			
Common program	67,104	-	67,104
Year-round program	66,613	-	66,613
Summer sites	184,813	-	184,813
Total program services	<u>318,530</u>	<u>-</u>	<u>318,530</u>
Supporting services:			
Management and general	174,814	-	174,814
Development	101,534	-	101,534
Total supporting services	<u>276,348</u>	<u>-</u>	<u>276,348</u>
Total expenses	<u>594,878</u>	<u>-</u>	<u>594,878</u>
Change in net assets from operations	(31,708)	(958)	(32,666)
Gain on disposal of fixed assets	290	-	290
Total change in net assets	(31,418)	(958)	(32,376)
Net assets, beginning of year	<u>182,360</u>	<u>202,114</u>	<u>384,474</u>
Net assets, end of year	<u>\$ 150,942</u>	<u>\$ 201,156</u>	<u>\$ 352,098</u>

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

**SIERRA SERVICE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services				Supporting Services		Total
	Common Program	Year-round Program	Summer Program	Total Program	Management and General	Development	
Salaries & wages	\$ 16,775	\$ 40,420	\$ 134,138	\$ 191,333	\$ 108,850	\$ 71,045	\$ 371,228
Payroll taxes	1,422	3,672	12,142	17,236	9,271	6,051	32,558
Employee benefits	2,249	2,488	12,483	17,220	14,592	9,523	41,335
Workers' compensation	645	3,253	3,581	7,479	4,186	2,732	14,397
Payroll processing fees	-	-	-	-	5,367	-	5,367
Total personnel costs	21,091	49,833	162,344	233,268	142,266	89,351	464,885
Building materials & tools	1,694	9,682	12,702	24,078	1,500	-	25,578
Credit card processing fees	253	27	-	280	-	4,415	4,695
Depreciation	5,298	-	-	5,298	2,609	-	7,907
Facility & equipment rentals	815	-	-	815	825	-	1,640
Food & kitchen supplies	-	-	-	-	407	-	407
Insurance	3,233	-	-	3,233	3,685	-	6,918
Office expenses	15,076	66	43	15,185	8,178	3,645	27,008
Professional services	2,288	1,426	-	3,714	1,250	-	4,964
Program honorariums	1,850	2,025	1,350	5,225	-	50	5,275
Rent & utilities	11,333	-	-	11,333	7,946	-	19,279
Site start-up	-	-	5	5	-	-	5
T-shirts & merchandise	2,511	560	2,048	5,119	156	2,067	7,342
Telephone & communication	473	524	2,629	3,626	3,073	2,006	8,705
Transportation & vehicles	959	852	2,621	4,432	1,236	-	5,668
Travel	230	1,618	274	2,122	1,683	-	3,805
Worship & study	-	-	797	797	-	-	797
Total expenses	<u>\$ 67,104</u>	<u>\$ 66,613</u>	<u>\$ 184,813</u>	<u>\$ 318,530</u>	<u>\$ 174,814</u>	<u>\$ 101,534</u>	<u>\$ 594,878</u>

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

**SIERRA SERVICE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021**

Cash flows from operating activities:	
Receipts from participation fees	\$ 11,240
Receipts from contributions	434,648
Other cash receipts	28,235
Payments for personnel-related costs	(478,728)
Payments to vendors	<u>(131,228)</u>
Net cash used in operating activities	<u>(135,833)</u>
Net decrease in cash	(135,833)
Cash and equivalents, beginning of year	<u>456,640</u>
Cash and equivalents, end of year	<u><u>\$ 320,807</u></u>

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

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1 – NATURE OF THE ORGANIZATION

Sierra Service Project (SSP, we, us, our), 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 our organization was formed is to organize and manage service camps for church youth groups, schools, and intergenerational teams. These groups, along with adult counselors, repair Native American homes on reservations and other underserved communities throughout the North American West Coast. Our support and revenue consist primarily of fees from service camp participants and contributions from donors.

NOTE 2 – SUMMARY OF PROGRAM AND SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting. Thus, revenues are reported in the year earned rather than when collected, and expenses are reported in the year incurred rather than when paid.

Basis of Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, we classify net assets and changes in net assets as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed stipulations that may or will be met either by our actions and/or the passage of time – OR – net assets to be held in perpetuity as directed by donors, whereas 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. 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.

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.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount will be included in contribution revenue on the statement of activities. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, no allowance for uncollectible promises has been established.

Accounts Receivable

Accounts receivable consist primarily of noninterest bearing amounts due for performance of our program services. Based on historical payment trends and current economic conditions, management considers all such amounts to be currently collectible.

Inventory

Inventories consist of building materials to be used in our programs during the subsequent fiscal year as well as items for sale in our on-line store. All inventory amounts 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.

Revenue and Revenue Recognition

We recognize revenue from our service-learning program during the year in which the related services are provided to students. The performance obligation of delivering service-learning activities is simultaneously received and consumed by the participants; therefore, the revenue is recognized ratably over the course of the program period (primarily in the summer months). All amounts received prior to the commencement of the service-learning activities, including participant deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted program rates at the time revenue is recognized.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of our revenue is derived from cost-reimbursable local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. For the year ended September 30, 2021, we received cost-reimbursable grants totaling \$11,815 that had not been recognized because qualifying expenditures had not yet been incurred. These same funds of \$11,815 were received in advance under our local government contracts and grants and are included in refundable advances as of September 30, 2021.

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 employee's estimated time and effort.

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.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

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

Management has processes presently in place to ensure maintenance of our tax exempt statuses; to identify and report unrelated business income; to determine the filing and tax obligations for which we have nexus; and to identify and evaluate other matters that may be considered tax positions. We have evaluated our tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

Adoption of New Accounting Standards

We have adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of our financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way we recognize revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

We have also adopted ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and accounting guidance for contributions received and contributions made. It provides assistance to not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance; and (2) determining whether a contribution is conditional.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of September 30, 2021:

Cash and equivalents	\$ 320,807
Contributions receivable	58,656
Accounts receivable	<u>215</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 379,678</u>

We maintain a liquid cash balance in checking and money market accounts in an amount necessary to meet our anticipated expenditures for at least the next 60 days. Cash in excess of this may be invested in short-term investments.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are estimated to be collected as follows as of September 30, 2021:

Within one year	<u>\$ 58,656</u>
Total contributions receivable	<u>\$ 58,656</u>

NOTE 5 – FIXED ASSETS

Fixed assets consisted of the following as of September 30, 2021:

Trailers	\$ 35,683
Vehicles	58,232
Leasehold improvements	35,624
Office furniture	<u>5,678</u>
Subtotal	135,217
Less: accumulated depreciation	<u>(134,380)</u>
Total fixed assets	<u>\$ 837</u>

Depreciation expense was \$7,907 for the year ended September 30, 2021.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 6 – 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. Distributions totaling \$2,850 were received during the year ended September 30, 2021. SSP has recorded a beneficial interest in assets held by the Foundation of \$88,901 as of September 30, 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of September 30, 2021:

Subject to appropriation and expenditure
when a specified event occurs:

Scholarships	\$ 68,553
North Sacramento Program	11,322
Building materials and staffing	32,380

Perpetual in nature, earnings from which are subject to a spending policy and appropriation	88,901
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Total net assets with donor restrictions	\$ 201,156
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2021:

Satisfaction of purpose restrictions:

Scholarships	\$ 16,848
General use	8,803
Young Clergy Initiative	8,298
Local projects	867

Total net assets released from donor restrictions	\$ 34,816
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**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8 – FAIR VALUE MEASUREMENTS

We follow 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. We use appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, we measure 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 as of September 30, 2021 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	\$ 88,901	\$ -	\$ -	\$ 88,901
Total	\$ 88,901	\$ -	\$ -	\$ 88,901

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8 – FAIR VALUE MEASUREMENTS (continued)

The beneficial interest in assets held by the community foundation is valued using Level 3 measurements, as our interest is not redeemable in the near term. The following is a reconciliation of our investments measured using significant unobservable measurements (Level 3) for the year ended September 30, 2021:

Balance, beginning of year	\$ 72,893
Investment gain (loss)	19,690
Distributions	(2,850)
Administrative fees	<u>(832)</u>
Balance, end of year	<u>\$ 88,901</u>

NOTE 9 – COMMITMENTS

We lease office space under a partially cancellable operating lease, which expires in February 2027. We also lease storage space under a non-cancellable operating lease, which expires in November 2026. The following is a schedule of future minimum rental payments required under the above operating leases for the years ended September 30:

2022	\$ 29,650
2023	38,950
2024	40,150
2025	41,350
2026	42,550
Thereafter	<u>14,550</u>
Total future minimum rental payments	<u>\$ 207,200</u>

Rental expense, net of sublease income, was \$17,360 for the year ended September 30, 2021.

NOTE 10 – PENSION PLAN

We sponsor a defined contribution 403(b) pension plan covering all full-time employees after one year of employment. Annual employer contributions are equal to 3% of each eligible employee's gross earnings and totaled \$9,168 for the year ended September 30, 2021.

**SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 11 – DONATED FACILITIES, GOODS AND SERVICES

We continually receive donated services from a variety of unpaid volunteers assisting in leadership, committees, fundraising 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 12 – FUNCTIONALIZED EXPENSES

Our financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses related to salaries and wages, payroll taxes, employee benefits and workers' compensation are allocated on the basis of employee's estimated time and effort.

NOTE 13 – SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus (pandemic), economic uncertainties have occurred that may negatively impact our contribution revenue and program service activities. However, the related financial impact and duration of the pandemic cannot be reasonably estimated at this time.

Management has reviewed the results of operations for the period of time from our year end of September 30, 2021 through February 17, 2022, 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.