Sierra Service Project

Sacramento, California

Financial Statements and Independent Auditors' Report

For the Year Ended September 30, 2023

With Summarized Comparative Financial Information
For the Year Ended September 30, 2022

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Sierra Service Project
For the Year Ended September 30, 2023

(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sierra Service Project (a California nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization’s financial statements for the year ended September 30, 2022, and we expressed an unmodified opinion on those financial statements in our report dated May 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Pun Group, LLP

Sacramento, California
March 18, 2024

FINANCIAL STATEMENTS

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Sierra Service Project
Statement of Financial Position
September 30, 2023
(With Comparative Financial Information as of September 30, 2022)

ASSETS	2023	2022
Cash and cash equivalents	$ 115,662	$ 179,919
Contributions receivable	88,918	242,976
Accounts receivable	1,145	5,130
Inventory	6,007	8,467
Prepaid expenses	4,621	6,125
Investments	74,032	-
Property and equipment, net	59,327	-
Operating lease right-of-use asset	129,057	-
Beneficial interest in assets held by community foundation	-	68,864
Total assets	$ 478,769	$ 511,481
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 62,597	$ 100,512
Accrued expenses and other liabilities	62,055	31,664
Deferred revenue	8,477	41,047
Rental deposits payable	1,000	1,000
Operating lease liability	129,057	-
Total liabilities	263,186	174,223
Net assets:		
Without donor restrictions	87,295	155,515
With donor restrictions	128,288	181,743
Total net assets	215,583	337,258
Total liabilities and net assets	$ 478,769	$ 511,481

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

Sierra Service Project
Statement of Activities
For the Year Ended September 30, 2023
(With Summarized Comparative Financial Information for the Year Ended September 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues:				
Support and other revenue:				
Contributions	$ 604,623	$ 57,668	$ 662,291	$ 581,161
Participant fees, net of scholarships	264,937	-	264,937	300,727
Other revenues	31,358	-	31,358	18,731
Rental income from sublease	20,310	-	20,310	20,275
Contributed nonfinancial assets	15,016	-	15,016	16,292
Change in beneficial interest, net	8,298	-	8,298	(17,027)
Total support and other revenue	944,542	57,668	1,002,210	920,159
Net assets released from restrictions	111,123	(111,123)	-	-
Total revenue	1,055,665	(53,455)	1,002,210	920,159
Expenses:				
Program services:				
Common program	137,052	-	137,052	142,904
Year-round program	203,026	-	203,026	58,410
Summer program	422,922	-	422,922	386,743
Del Paso Heights Growers' Alliance	43,075	-	43,075	65,300
Total program services	806,075	-	806,075	653,357
Supporting services:				
Management and general	224,924	-	224,924	191,858
Development	92,886	-	92,886	89,784
Total supporting services	317,810	-	317,810	281,642
Total expenses	1,123,885	-	1,123,885	934,999
Changes in net assets	(68,220)	(53,455)	(121,675)	(14,840)
Net assets:				
Beginning of year	155,515	181,743	337,258	352,098
End of year	$ 87,295	$ 128,288	$ 215,583	$ 337,258

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

Sierra Service Project
Statement of Functional Expenses
For the Year Ended September 30, 2023
(With Summarized Comparative Financial Information for the Year Ended September 30, 2023)

	Program Services				Support Services			
	Common Program	Year-round Program	Summer Program	DPH Growers' Alliance	Management and General	Fundraising	2023 Total	2022 Total
Expenses:								
Salaries and wages	$ 25,916	$ 127,739	$ 221,104	$ 4,090	$ 102,834	$ 66,000	$ 547,683	$ 382,305
Employee benefits	4,042	3,262	14,686	493	12,397	7,961	42,841	39,046
Payroll taxes	782	12,029	19,633	335	8,417	5,406	46,602	32,003
Workers' compensation	721	3,551	6,147	114	2,859	1,835	15,227	14,608
Payroll processing fees	-	-	-	-	4,585	-	4,585	4,197
Subtotal personnel	31,461	146,581	261,570	5,032	131,092	81,202	656,938	472,159
Building materials and tools	1,730	10,307	40,541	6,661	-	-	59,239	54,651
Credit card processing fees	2,387	49	-	-	-	4,427	6,863	6,560
Depreciation	6,592	-	-	-	-	-	6,592	837
Facility and equipment rentals	2,568	7,980	19,032	-	-	-	29,580	30,284
Food and kitchen supplies	4,910	3,486	39,584	1,872	388	-	50,240	48,376
Insurance	12,243	-	6,239	-	3,616	-	22,098	19,770
Lease expense	11,101	-	-	-	27,849	-	38,950	-
Office expenses	16,109	10,536	615	137	13,378	4,801	45,576	38,844
Professional services	200	7,600	-	1,545	26,486	-	35,831	21,403
Program honorariums	1,488	3,587	10,460	20,900	-	-	36,435	62,900
Program supplies	635	1,492	321	5,274	-	-	7,722	11,069
Rent and utilities	1,413	-	-	-	3,544	-	4,957	41,721
Site start-up	-	335	3,185	218	-	-	3,738	1,789
T-shirts and merchandise	4,574	4,287	5,060	-	-	478	14,399	18,968
Telephone and communication	-	-	157	-	7,144	-	7,301	7,603
Transportation and vehicles	21,171	681	31,784	-	417	478	54,531	55,883
Travel	18,470	6,105	4,374	1,436	11,010	1,500	42,895	42,182
Total expenses	$ 137,052	$ 203,026	$ 422,922	$ 43,075	$ 224,924	$ 92,886	$ 1,123,885	$ 934,999

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

Sierra Service Project
Statement of Cash Flows
For the Year Ended September 30, 2023
(With Comparative Financial Information for the Year Ended September 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (121,675)	$ (14,840)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,592	837
Change in value of beneficial interest in assets held by community foundation	(8,298)	17,027
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	154,058	(184,320)
Accounts receivable	3,985	(4,915)
Inventory	2,460	5,445
Prepaid expenses	1,504	2,884
Operating lease right-of-use asset	(129,057)	-
Distributions from beneficial interest in assets held by community foundation	3,130	3,010
Increase (decrease) in liabilities:		
Accounts payable	(37,915)	92,966
Accrued expenses	30,391	5,615
Deferred revenue	(32,570)	(52,782)
Refundable advance	-	(11,815)
Operating lease liability	129,057	-
Net cash provided by (used in) operating activities	1,662	(140,888)
Cash flows from investing activities		
Purchases of property and equipment	(65,919)	-
Net cash provided by (used in) investing activities	(65,919)	-
Net increase (decrease) in cash and cash equivalents	(64,257)	(140,888)
Cash and cash equivalents:		
Beginning of year	179,919	320,807
End of year	$ 115,662	$ 179,919
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 161,895	$ -

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

NOTES TO THE FINANCIAL STATEMENTS

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Note 1 – Nature of Operations

Sierra Service Project ("SSP" or "Organization"), Sacramento, California, is a not-for-profit organization incorporated in 1979 under the General Non-profit Corporation Law of the State of California. SSP's purpose is to build strong connections and resilience among communities by equipping volunteers in home repair skills and community-based projects. Making necessary home repairs accessible to historically underserved residents allows communities to thrive and individuals to safely age in place. Inherent in the purpose is the specific involvement of youth and young adult volunteers. SSP's mission is to: "Build faith and strengthen communities through service to others." The Organization's revenue and support consist primarily of program participant fees and contributions from donors.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") where revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all financial instruments purchased with an original maturity of three months or less to be cash equivalents.

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 discounts is included in contribution revenue in the statement of activities. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, management expects all such contributions to be collectible. Accordingly, an allowance for uncollectible contributions has not been established as of September 30, 2023 and 2022.

Note 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

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

Inventory

Inventories consist of building materials to be used in the Organization's programs during the subsequent fiscal year as well as items for sale in the Organization's on-line store. All inventory amounts are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

Investments

Investments with readily determinable fair values are stated at fair value at the financial statement date. Marketable securities acquired by donation are stated at the fair market value at the date of donation. The Organization reports investment revenues net of related expenses, such as custodial and investment advisory fees, on the statement of activities.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at estimated fair value on the date contributed, if donated, less accumulated depreciation. The Organization's policy is to capitalize property and equipment with an initial cost or estimated fair value of $5,000 or more, and provide for depreciation using the straight-line method over the estimated useful life of each type of asset ranging from 5 to 30 years.

If donors stipulate the period of time during which the assets must be used, the contributions are recorded as support with donor restrictions, and released as restrictions expire. In the absence of such stipulations, contributions of property and equipment and gifts of cash restricted for the acquisition of property and equipment, are recorded as support without donor restrictions when the assets are placed in service. For the years ended September 30, 2023 and 2022, the Organization received no donated property and equipment.

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other revenues (expenses) for the period.

Leases

The Organization applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property or equipment for a period in excess of twelve months in exchange for consideration. The Organization defines control of the assets as the right to direct the use of the identified assets. The Organization further determines all the existing leases are operating leases, which are included in Right-of -use ("ROU") assets and liabilities in the statement of financial position. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term using a risk-free rate as permitted under ASC 842. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives.

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions:* Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. From time-to-time, the Board of Directors may earmark net assets from this category.

- *Net Assets with Donor Restrictions:* Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, those net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

All contributions are considered available for general use, unless specifically restricted by donor or subject to other legal restrictions.

Revenue and Revenue Recognition

The Organization recognizes revenue from service-learning programs during the year in which the related services are provided to participants. 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 participants are recorded as a reduction from the posted program rates at the time revenue is recognized.

Contributions are recognized 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 the Organization's revenue is derived from cost-reimbursable federal, state, local, and foundation contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as contribution revenue when expenditures have been incurred in compliance with specific contract or grant provisions.

Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated facility space which is recorded at the respective fair values of facilities received. The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation.

Note 2 – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been detailed in the statement of functional expenses and are summarized on a functional basis in the statement of activities. Program and supporting services are charged with their direct expenses. Certain categories of expenses are attributed to both program and supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include personnel and occupancy costs, among other expenses; which are allocated on the basis of estimates of time and effort, square footage basis, as well as other methods as determined from time-to-time by management.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California code sections. The Organization is considered a public charity and has been classified as an Organization that is not a private foundation under IRC Section 170(b)(1)(a)(vi).

Management has processes presently in place to ensure maintenance of the Organization’s tax-exempt statuses; to identify and report unrelated business income; to determine the filing and tax obligations for which the Organization has nexus; and to identify and evaluate other matters that may be considered tax positions. Management has evaluated the 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.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect 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 vary from those estimates under different assumptions or conditions.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and equivalents 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, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions are due from government agencies and foundations supportive of the mission. Investments are made by professional investment advisors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization’s management and Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Reclassifications

In the prior year financial statements, sublease income totaling $20,275 was incorrectly netted with related expenses on the statement of activities. This presentation did not comply with the requirements of FASB ASC 958, which mandates the separate presentation of rental income. To ensure accurate and consistent financial reporting in accordance with U.S. GAAP, the $20,275 of sublease income has been reclassified in the current year comparative financial statements. It is now presented as a separate line item under the “Support and Other Revenue” section of the statement of activities for the year ended September 30, 2022. Any reclassifications made have had no impact on previously reported net assets.

Note 2 – Summary of Significant Accounting Policies (Continued)

Adopted Accounting Pronouncements

During the year ended September 30, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* which supersedes the leasing guidance in *Topic 840*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statement of financial position.

The Organization adopted the leasing standards effective September 30, 2023, using the modified retrospective approach with October 1, 2022, as the initial date of application. Management has elected to apply all of the practical expedients available under the new guidance, which allows the Organization to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases. The Organization has elected to apply the practical expedient to use hindsight in determining the lease term.

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, an operating right-of-use asset and corresponding lease liability totaling $161,895 and $161,895, respectively, was recognized on October 1, 2022. There was no impact on the net asset balances as of September 30, 2022.

Note 3 – Liquidity and Availability

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

	2023	2022
Cash	$ 115,662	$ 179,919
Contributions receivable	88,918	242,976
Accounts receivable	1,145	5,130
Investments	74,032	-
Distributions from beneficial interest in assets held by others	-	3,130
Less those financial assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor for purpose	(128,288)	(112,879)
Financial assets available to meet cash needs for general expenditures within one year	**$ 151,469**	**$ 318,276**

As part of its liquidity management plan, the Organization can invest cash in excess of daily requirements in short-term investments and money market funds.

Note 4 – Contributions Receivable

Contributions receivable are estimated to be collected as follows as of September 30, 2023 and 2022:

	2023	2022
Within one year	$ 88,918	$ 242,976
Total contributions receivable	$ 88,918	$ 242,976

Note 5 – Investments

Investments consisted of the following as of September 30, 2023 and 2022:

	2023	2022
Diversified investments	$ 74,032	$ -
Total investments	$ 74,032	$ -

Note 6 – Property and Equipment

Property and equipment consisted of the following as of September 30, 2023 and 2022:

	2023	2022
Vehicles	$ 60,940	$ 58,231
Database software	51,775	-
Leasehold improvements	35,625	35,625
Trailers	21,545	35,683
Office furniture	5,678	5,678
	175,563	135,217
Less: accumulated depreciation	(116,236)	(135,217)
Total property and equipment, net	$ 59,327	$ -

Note 7 – Beneficial Interest in Assets Held by Community Foundation

The Organization had previously transferred assets to the Sacramento Region Community Foundation (Foundation) to establish an endowment fund. At the time, that agreement stated the transfer is irrevocable and that the assets will not be returned to the Organization. However, the Foundation will make distributions of income earned on the endowment fund to the Organization, subject to the Foundation's spending policy. The Organization had 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. Under that arrangement, distributions from the Foundation totaling $3,130 and $3,010 were received by the Organization during the years ended September 30, 2023 and 2022, respectively. The Organization recorded a beneficial interest in assets held by the Foundation of $-0- and $68,864 as of September 30, 2023 and 2022, respectively.

Effective September 29, 2023, the Organization received approval from the Foundation's Board of Trustees to convert the beneficial interest to an expendable fund. Accordingly, the amounts held by the Foundation are now reported as investments on the accompanying statement of financial position as of September 30, 2023.

Note 8 – Fair Value Measurements

The Organization 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 significant other observable inputs other than quoted prices for identical assets.

- Level 3 inputs, which have the lowest priority, use primarily unobserved inputs. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Organization 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 as of September 30, 2023 and 2022 are as follows:

September 30, 2023	Total	Level 1	Level 2	Level 3
Diversified investments	$ 74,032	$ -	$ 74,032	$ -
Total assets carried at fair value	$ 74,032	$ -	$ 74,032	$ -

September 30, 2022	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by community foundation	$ 68,864	$ -	$ -	$ 68,864
Total assets carried at fair value	$ 68,864	$ -	$ -	$ 68,864

Diversified investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. The fair value of the Organization's beneficial interest in assets held by the community foundations is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using primarily unobserved inputs (Level 3) for the years ended September 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 68,864	$ 88,901
Investment return, net	8,298	(17,027)
Distributions	(3,130)	(3,010)
Converted to Level 2 assets	(74,032)	-
Balance, end of year	$ -	$ 68,864

Note 9 – Leases

Accounting for Leases under Topic 842 (New Standard)

The Organization leases office facilities at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2027. Total operating lease costs for the year ended September 30, 2023 were $38,950. The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the year ended September 30, 2023:

Weighted-average remaining lease term:	
Operating leases	3.3 years
Weighted-average discount rate:	
Operating leases	4.16%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of September 30, 2023:

Year Ending September 30,	Operating
2024	$ 40,150
2025	41,350
2026	42,550
2027	14,550
Total lease payments	138,600
Less: imputed interest	(9,543)
Present value of lease liabilities	$ 129,057

Accounting for Leases under Topic 840 (Previous Standard)

As previously disclosed in the Organization's audited financial statements for the year ended September 30, 2023, and under the previous lease accounting rules, future minimum lease payments as of September 30, 2022 were as follows:

Year Ending September 30,	Total due
2023	$ 38,950
2024	40,150
2025	41,350
2026	42,550
2027	14,550
Total	$ 177,550

Rent expense for the above operating leases and other month-to-month arrangements totaled $37,750 for the year ended September 30, 2022.

Note 9 – Leases (Continued)

Operating Sublease

The Organization has entered into a sublease agreement through February 2027 with an unrelated party to sublease a portion of the Organization's leased facility space. The total income from this sublease was $20,310 and $20,275 for the years ended September 30, 2023 and 2022, respectively.

The future minimum lease payments receivable under noncancelable operating subleases with terms greater than one year are listed below as of September 30, 2023:

Year Ending September 30,	Amount
2024	$ 20,215
2025	20,515
2026	20,815
2027	8,725
Total	$ 70,270

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of September 30, 2023 and 2022:

	2023	2022
Subject to expenditure for a specified purpose:		
Scholarships	$ 51,868	$ 55,456
Building materials	22,500	-
North Sacramento Program	-	10,864
Del Paso Heights Growers' Alliance	-	46,559
	74,368	112,879
Perpetual in nature	53,920	68,864
Total net assets with donor restrictions	$ 128,288	$ 181,743

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions:		
Scholarships	$ 23,700	$ 29,405
North Sacramento Program	20,864	37,958
Del Paso Heights Growers' Alliance	66,559	73,388
Building materials and staffing	-	23,507
Total net assets released from donor restrictions	$ 111,123	$ 164,258

Note 11 – Endowment

The Organization's endowment includes donor-restricted funds and the unappropriated earnings on those funds. The board of directors has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides statutory guidance for management, investment, and expenditures of endowed funds. UPMIFA does not distinguish between original corpus, income, and capital appreciation and permits all endowed funds to make a payout as deemed prudent by the board and within UPMIFA.

The Organization retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

To satisfy long-term objectives, the Organization 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). The Organization targets a conservative mix of investments that places a greater emphasis on capital preservation. Amounts to be appropriated for expenditure, if any, are decided annually by the board of directors.

Effective September 29, 2023, the Organization received approval to convert these funds, previously reported as a beneficial interest in assets held by the Sacramento Region Community Foundation, to an expendable fund (Note 7).

Changes in endowment assets for the year ended September 30, 2023 are as follows:

2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ -	$ -	$ -
Contributions	-	-	-
Investment return, net	-	-	-
Realized and unrealized gains	-	-	-
Transfer from Beneficial Interest	-	60,327	60,327
Appropriation of endowment assets for expenditure	-	-	-
Endowment assets, end of year	$ -	$ 60,327	$ 60,327

The Organization reported no endowment assets for the year ended September 30, 2022.

Note 12 – Retirement Plan

The Organization sponsors a defined contribution 403(b) pension plan covering all full-time employees after one year of employment. Employer contributions, which are calculated to match 5% of each eligible employee's gross wages, totaled $15,117 and $14,120 for the years ended September 30, 2023 and 2022, respectively.

Note 13 – Commitments and Contingencies

The Organization has been awarded certain grants and contracts and are subject to financial and compliance requirements of the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although management does not expect such amounts, if any, to materially affect the financial statements.

Note 14 – Concentrations

Approximately 65% of contributions receivable were due from one funding source as of September 30, 2023. Approximately 86% of contributions receivable were due from three funding sources as of September 30, 2022.

Note 15 – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the accompanying financial statements included the following for the years ended September 30, 2023 and 2022:

2023	Common Program	Summer Program	Total
Donated Facilities	$ -	$ 14,832	$ 14,832
Donated Goods	184	-	184
Total contributed nonfinancial assets	$ 184	$ 14,832	$ 15,016

2022	Common Program	Summer Program	Total
Donated Facilities	$ 16,292	$ -	$ 16,292
Total contributed nonfinancial assets	$ 16,292	$ -	$ 16,292

Contributed facilities space is recognized at fair value based on current rental rates for similar facilities in the local area. The corresponding in-kind expenses are combined in the statement of functional expenses with other natural expense items. Donated facilities of $14,832 are included with facility and equipment rentals expense, and donated goods of $184 are included with building materials and tools expense. All contributed nonfinancial assets received during the years ended September 30, 2023 and 2022 were without donor restrictions.

Note 16 – Subsequent Events

The Organization has evaluated subsequent events through March 18, 2024, the date the financial statements are available to be issued, and is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.