SIERRA SERVICE PROJECT

Independent Auditor's Report
and Financial Statements

Year Ended September 30, 2016

SIERRA SERVICE PROJECT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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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, 2016, 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.

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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, 2016, 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.

Fritsche Associates, Inc.

Certified Public Accountants
Sacramento, CA
December 20, 2016

SIERRA SERVICE PROJECT
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

Assets	
Current assets:	
Cash and equivalents	$ 152,298
Unconditional promises to give	8,313
Accounts receivable	1,562
Inventory	10,911
Prepaid assets	15,989
Total current assets	189,073
Fixed assets, net	73,131
Beneficial interest in assets of community foundation	66,295
Total assets	$ 328,499
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	$ 11,463
Accrued expenses	49,252
Deferred revenue	750
Total current liabilities	61,465
Long-term liabilities:	
Rental deposits payable	780
Total liabilities	62,245
Net assets:	
Unrestricted	139,263
Temporarily restricted	59,366
Permanently restricted	67,625
Total net assets	266,254
Total liabilities and net assets	$ 328,499

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

SIERRA SERVICE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Participation fees, net	$ 735,783	-	-	$ 735,783
Donations	286,706	$ 107,413	-	394,119
Investment income	-	4,774	-	4,774
Other revenue	2,341	-	-	2,341
Net assets released from restrictions	84,125	(84,125)	-	-
Total support and revenue	1,108,955	28,062	-	1,137,017
Expenses:				
Program services	929,818	-	-	929,818
Management and general	136,243	-	-	136,243
Development	63,068	-	-	63,068
Total expenses	1,129,129	-	-	1,129,129
Change in net assets from operations	(20,174)	28,062	-	7,888
Gain on disposal of assets	5,502	-	-	5,502
Total change in net assets	(14,672)	28,062	-	13,390
Net assets, beginning of year	153,935	31,304	67,625	252,864
Net assets, end of year	$ 139,263	$ 59,366	$ 67,625	$ 266,254

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

SIERRA SERVICE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Management and General	Development	Total Expenses
Salaries & wages	$ 356,558	$ 56,273	$ 35,489	$ 448,320
Payroll taxes	27,201	4,293	2,707	34,201
Employee benefits	29,004	4,577	2,887	36,468
Workers' compensation insurance	27,767	4,382	2,764	34,913
Other payroll expenses	3,626	572	361	4,559
Total personnel costs	444,156	70,097	44,208	558,461
Building materials & tools	95,667	4,384	-	100,051
Depreciation	15,911	-	-	15,911
Facility & equipment rentals	85,931	-	-	85,931
Food & kitchen supplies	74,102	1,046	-	75,148
Fuel	16,735	-	48	16,783
Insurance	27,506	3,682	-	31,188
Licenses & permits	1,124	30	250	1,404
Miscellaneous	6,912	3,881	-	10,793
Office supplies	18,871	7,333	1,682	27,886
Postage & delivery	3,612	187	726	4,525
Printing & copying	935	743	-	1,678
Professional fees	7,100	8,898	7,550	23,548
Publicity	1,569	5,858	4,290	11,717
Rent & utilities	8,662	10,126	-	18,788
Site start-up	9,810	-	-	9,810
T-shirts	16,945	-	3,079	20,024
Telephone & communication	1,466	7,057	-	8,523
Transportation	16,825	6,082	290	23,197
Travel & meals	15,842	6,674	608	23,124
Vehicle maintenance & repair	13,386	-	-	13,386
Vehicle rental	39,225	165	337	39,727
Worship & study	7,526	-	-	7,526
Totals	$ 929,818	$ 136,243	$ 63,068	$ 1,129,129

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

SIERRA SERVICE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:		
Change in net assets	$	13,390
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		15,911
Gain on disposal of assets		(5,502)
Increase in beneficial interest in community foundation		(1,535)
Decrease in unconditional promises to give		1,827
Decrease in accounts receivable		1,229
Increase in prepaid expenses		(3,153)
Increase in inventory		(772)
Increase in accounts payable		6,234
Increase in accrued expenses		5,187
Decrease in deferred revenue		(900)
Increase in rental deposits payable		780
Net cash provided by operating activities		32,696
Cash flows from investing activities:		
Purchases of fixed assets		(61,297)
Proceeds from sales of fixed assets		8,100
Net cash used in investing activities		(53,197)
Net decrease in cash		(20,501)
Cash and equivalents, beginning of year		172,799
Cash and equivalents, end of year	$	152,298

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

SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

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.

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.

NOTE C – **UNCONDITIONAL PROMISE TO GIVE**

Unconditional promises to give, which management considers fully collectible within one year, consist of the following at September 30, 2016:

Promised funds for the 2016-17 fiscal year	$ 8,313
Total unconditional promises to give	$ 8,313

NOTE D – **FIXED ASSETS**

Fixed assets consisted of the following as of September 30, 2016:

Trailers	$ 46,451
Vehicles	76,234
Leasehold improvements	24,599
Office furniture	5,678
Subtotal	152,962
Less: accumulated depreciation	(79,831)
Total fixed assets	$ 73,131

Depreciation expense was $15,911 for the year ended September 30, 2016.

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 $12,290 for the year ended September 30, 2016.

NOTE F – **RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2016:

Halle Foundation	$ 36,268
General Endowment Fund	13,705
Promised for the 2016-17 fiscal year	8,313
Scholarship Fund	1,080
Total temporarily restricted net assets	$ 59,366

Permanently restricted net assets consisted of the following at September 30, 2016:

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

NOTE G – **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 2017. SSP also leases storage space under a non-cancellable operating lease, which expires in May 2021. 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:

2017	$ 21,744
2018	22,792
2019	13,980
2020	9,800
2021	6,800
Total future minimum rental payments	$ 75,116

Rental expense for the year ended September 30, 2016 was $31,616.

SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

NOTE H – **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. However, the actual annual distribution is limited by the current spending policy of the Sacramento Community Regional Foundation. 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.

NOTE H – **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 $1,330 as of September 30, 2016. This deficiency resulted from unfavorable market fluctuations and continuing the appropriations is generally deemed prudent by the Board.

Endowment net asset composition by type of fund at September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General Endowment	$ (1,330)	$ 13,705	$ 21,290	$ 33,665
Clem Fund	-	-	42,500	42,500
Scholarship Fund	-	-	3,835	3,835
Total funds	$ (1,330)	$ 13,705	$ 67,625	$ 80,000

Changes in endowment net assets for the year ended September 30, 2016:

Endowment net assets, beginning of year	$ 78,465
Contributions	--
Investment gain (loss)	4,774
Distributions	(2,590)
Administrative fees	(649)
Endowment net assets, end of year	$ 80,000

NOTE I – **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, 2016

NOTE I – **FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair values of assets measured on a recurring basis at September 30, 2016 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	$ 66,295	$ --	$ --	$ 66,295
Total	$ 66,295	$ --	$ --	$ 66,295

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, 2016:

Balance, beginning of year	$ 64,760
Investment gain (loss)	4,774
Distributions	(2,590)
Administrative fees	(649)
Balance, end of year	$ 66,295

NOTE J – **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, 2016. SSP has recorded a beneficial interest in assets held by the Foundation totaling $66,295 at September 30, 2016.

SIERRA SERVICE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

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 $48,875 for the year ended September 30, 2016. 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 $16,569 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 June 30, 2016, 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, 2016 through December 20, 2016, 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.