



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

# SUMMER SEARCH

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Summer Search**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Summer Search (the Organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and changes in net assets, 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.

### *Auditors' 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 from 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 auditors' 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 Summer Search as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited Summer Search's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
March 3, 2020

**SUMMER SEARCH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2018)**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 2,651,705	\$ 3,577,674
Other receivables	11,666	160,604
Prepaid expenses and other assets	692,859	1,045,928
Promises to give, net	3,508,845	4,221,394
Investments	2,372,959	2,924,491
Property and equipment, net	370,333	360,346
<b>Total Assets</b>	<b>\$ 9,608,367</b>	<b>\$ 12,290,437</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 468,268	\$ 412,250
Accrued salaries and vacation	1,073,538	915,996
Deferred rent	139,624	182,803
<b>Total Liabilities</b>	1,681,430	1,511,049
<b>Net Assets</b>		
Without donor restrictions	5,062,543	6,570,251
With donor restrictions	2,864,394	4,209,137
<b>Total Net Assets</b>	7,926,937	10,779,388
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,608,367</b>	<b>\$ 12,290,437</b>

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

## SUMMER SEARCH

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
<b>Revenue, Gains, and Other Support</b>				
Contributions	\$ 9,852,193	\$ 3,521,945	\$13,374,138	\$13,198,142
Special events, net of direct benefits to donors	4,675,341	46,000	4,721,341	4,671,844
Contributed goods and services	2,820,119	6,646	2,826,765	2,098,965
Investment income, net	40,906	36	40,942	208,408
Other income	12,807	--	12,807	159
Loss on pledges	(128,000)	(50,000)	(178,000)	--
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,933,984	(2,933,984)	--	--
Satisfaction of time restrictions	1,935,386	(1,935,386)	--	--
<b>Total Revenue, Gains, and Other Support</b>	<u>22,142,736</u>	<u>(1,344,743)</u>	<u>20,797,993</u>	<u>20,177,518</u>
<b>Expenses</b>				
<b>Program Services</b>				
Summer placement and mentoring	8,688,849	--	8,688,849	9,040,515
Staff training and development	6,446,364	--	6,446,364	3,795,673
Post-Secondary Success	916,634	--	916,634	926,073
Post-Secondary Access	788,457	--	788,457	602,404
Alumni	318,152	--	318,152	206,054
<b>Total Program Services</b>	17,158,456	--	17,158,456	14,570,719
<b>Supporting Services</b>				
Fundraising and development	3,862,648	--	3,862,648	3,856,501
Management and general	2,629,340	--	2,629,340	2,539,584
<b>Total Expenses</b>	<u>23,650,444</u>	<u>--</u>	<u>23,650,444</u>	<u>20,966,804</u>
<b>Change in Net Assets</b>	<u>(1,507,708)</u>	<u>(1,344,743)</u>	<u>(2,852,451)</u>	<u>(789,286)</u>
<b>Net Assets - Beginning of Year</b>	<u>6,570,251</u>	<u>4,209,137</u>	<u>10,779,388</u>	<u>11,568,674</u>
<b>Net Assets - End of Year</b>	<u>\$ 5,062,543</u>	<u>\$ 2,864,394</u>	<u>\$ 7,926,937</u>	<u>\$10,779,388</u>

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

**SUMMER SEARCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018)**

	Program Services						Supporting Services		Total Expenses 2019	Direct Benefits to Donors	Total Functional Expenses 2019	Total 2018
	Summer Placement and Mentoring	Staff Training and Development	Post-Secondary Success	Post-Secondary Access	Alumni	Total	Fundraising and Development	Management and General				
Salaries and employee benefits	\$ 3,151,758	\$ 3,995,855	\$ 752,363	\$ 655,439	\$ 193,289	\$ 8,748,704	\$ 3,313,949	\$ 1,723,312	\$ 13,785,965	\$ --	\$ 13,785,965	\$ 12,550,004
Scholarships and student support	4,046,931	1,828,994	144,626	65,480	4,194	6,090,225	--	--	6,090,225	--	6,090,225	4,776,686
Occupancy	1,067,061	133,327	--	--	--	1,200,388	98,943	143,962	1,443,293	--	1,443,293	1,411,113
Professional fees	11,466	98,099	1,715	37,800	10,515	159,595	91,964	356,494	608,053	--	608,053	568,112
Travel and training	32,180	138,428	3,778	11,209	32,079	217,674	68,832	90,417	376,923	--	376,923	305,220
Equipment purchase and repair	81,400	80,495	--	--	--	161,895	41,381	88,690	291,966	--	291,966	272,774
Other	11,581	67,548	89	485	1,944	81,647	15,337	95,408	192,392	--	192,392	89,492
Depreciation	141,591	17,888	--	--	--	159,479	13,300	19,351	192,130	--	192,130	172,284
Bad debt expense	--	--	--	--	--	--	--	--	--	--	--	165,000
Communication	60,366	41,730	6,396	7,164	2,734	118,390	31,087	6,707	156,184	--	156,184	233,064
Program and event expenses	48,259	9,728	3,558	6,425	62,994	130,964	--	--	130,964	1,203,203	1,334,167	1,038,740
Finance and bank charges	--	--	--	--	--	--	92,510	33,296	125,806	--	125,806	105,113
Postage and printing	20,202	6,811	2,685	1,866	2,701	34,265	64,802	9,387	108,454	--	108,454	127,805
Supplies and materials	16,054	27,461	1,424	2,589	7,702	55,230	30,543	9,831	95,604	--	95,604	64,298
Insurance	--	--	--	--	--	--	--	52,485	52,485	--	52,485	42,745
	<u>\$ 8,688,849</u>	<u>\$ 6,446,364</u>	<u>\$ 916,634</u>	<u>\$ 788,457</u>	<u>\$ 318,152</u>	<u>\$ 17,158,456</u>	<u>\$ 3,862,648</u>	<u>\$ 2,629,340</u>	<u>\$ 23,650,444</u>	<u>\$ 1,203,203</u>	<u>\$ 24,853,647</u>	<u>\$ 21,922,450</u>

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

## SUMMER SEARCH

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (2,852,451)	\$ (789,286)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in allowance for doubtful promises to give	3,124	(70,941)
Contributed goods	--	(272,609)
Net realized and unrealized losses (gains) on investments	168,420	(42,683)
Depreciation	192,130	172,284
Loss (gain) on disposal of property and equipment	1,627	(226)
Changes in operating assets and liabilities:		
Other receivables	148,938	(59,868)
Prepaid expenses and other assets	353,069	(42,287)
Promises to give, net	709,425	266,129
Accounts payable and accrued expenses	56,018	(356,328)
Accrued salaries and vacation	157,542	134,322
Deferred rent	(43,179)	(7,350)
<b>Net Cash Used in Operating Activities</b>	<u>(1,105,337)</u>	<u>(1,068,843)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(237,221)	(1,681,324)
Proceeds from the sale or maturity of investments	620,333	2,883,377
Purchase of property and equipment	(203,744)	(117,632)
<b>Net Cash Provided by Investing Activities</b>	<u>179,368</u>	<u>1,084,421</u>
<b>Cash Flows From Financing Activities</b>		
Borrowing on line of credit	300,000	--
Line of credit repayments	(300,000)	(500,000)
<b>Net Cash Used In Financing Activities</b>	<u>--</u>	<u>(500,000)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(925,969)</u>	<u>(484,422)</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>3,577,674</u>	<u>4,062,096</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,651,705</u>	<u>\$ 3,577,674</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ --</u>	<u>\$ 5,229</u>

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

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *PURPOSE AND ORGANIZATION*

Summer Search (the “Organization”) is a not-for-profit organization whose vision is that all young people, regardless of circumstances, have the opportunity to fulfill their potential and lead their families and communities to thrive. For 30 years we have partnered with young people to support them to develop the power and confidence to pursue their personal, academic, and professional dreams.

Linda Mornell, an adolescent counselor in private practice, founded the Organization in 1990 when she sent fourteen low-income students on summer experiential education programs. Today the Organization offers a nationwide network of comprehensive support. Founded in San Francisco, the Organization currently has operations in the following locations: San Francisco, Napa/Sonoma, San Jose, Boston, New York, Philadelphia, and Seattle. The accounting, financial, and administrative functions are centralized in San Francisco.

The Organization’s programming promotes outcomes that support thriving and financial well-being in adulthood. All of our outcomes represent lifelong processes; we strategically leverage opportunities for growth during middle adolescence and young adulthood when development towards these outcomes is most malleable. The program strongly aligns with the Foundations for Young Adult Success Framework and other bodies of research. The Organization’s programs include:

##### *Mentoring*

Students build supportive and sustained relationships with full-time professional staff mentors and peers to reflect on life experiences, actions, identities, and communities.

##### *Summer Experiences*

Each student receives two full scholarships to life-changing summer experiential education programs, including wilderness leadership expeditions, academic enrichment programs, community service, and internships. These programs provide opportunities for growth and connection through concentrated experiences that challenge and empower students.

##### *Post-Secondary Advising*

The Organization provides students support to towards their education and long-term goals. The Post-Secondary Program supports a broad set of mid and long-term outcomes for its participants: educational attainment, career readiness, integrated identity, sense of purpose, and financial well-being. The Organization’s redesigned Post-Secondary Program will include the implementation of a three-part service model, which will offer more in-depth matriculation and transition assistance, greater access to social capital through alumni and corporate partners, and increased hands-on career and financial resources.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PURPOSE AND ORGANIZATION (CONTINUED)*

##### *Alumni Services*

An array of alumni services supports graduates to be successful in the world after the post-secondary years through networking events with other alumni and donors and professional development services such as career workshops, internships, and volunteer leadership opportunities.

#### *BASIS OF ACCOUNTING*

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized as incurred regardless of the timing of cash flows.

#### *CLASSIFICATION OF NET ASSETS*

Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors (the Board). Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

#### *ESTIMATES*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *FAIR VALUE MEASUREMENT*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization has categorized its applicable financial instruments into the required fair value hierarchy as follows:

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FAIR VALUE MEASUREMENT (CONTINUED)*

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Only the Organization’s investments as disclosed in Note 2 to these financial statements are financial instruments measured at fair value on recurring basis.

#### *CASH AND CASH EQUIVALENTS*

The Organization considers all highly liquid investments with a maturity of three months or less, from the date of purchase, to be cash equivalents. Cash and cash equivalents intended for investment purposes are classified separately under investments.

#### *PROMISES TO GIVE*

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. The Organization uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

#### *INVESTMENTS*

Investments in marketable securities are stated at fair value based on quoted market prices. Realized and unrealized gains and losses and investment income derived from investment transactions are included as revenue in the year earned. The Organization’s Investment Committee is responsible for establishing investment criteria and overseeing all the Organization’s investments.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PROPERTY AND EQUIPMENT*

The Organization capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from three to seven years. Leasehold improvements are stated at cost and are amortized over the shorter of the asset life or the lease term. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

#### *ACCRUED VACATION*

Full-time employees may accrue up to 25 days per year depending on the number of months of service. Non full-time employees accrue vacation on a prorated basis. Employees can accrue a maximum of 150% of their annual vacation accrual.

#### *DEFERRED RENT*

Deferred rent results from the Organization's leases with free-rent-periods or guaranteed rate increases which are recognized on a straight-line basis over the term of the lease in accordance with U.S. GAAP.

#### *REVENUE RECOGNITION*

##### *Contributions*

The Organization reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, 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.

##### *Contributed Goods and Services*

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION (CONTINUED)*

Contributed marketable securities are sold immediately and the cash proceeds recorded as support.

The Organization recognizes contributions for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. Contributed goods and services included in the statement of activities and changes in net assets for the year ended September 30, 2019, were \$2,826,765. Contributed scholarships from summer program partners represent 32% of this amount. The remaining 68% consists of contributed supplies, special event expenses, consulting services, and professional clothing for children.

#### *Out-of-Period Error*

Management has determined, subsequent to the release of the fiscal 2018 financial statements, that unconditional promises to give totaling \$600,000, comprising two separate transactions, should have been accrued as additional “promises to give, net” as of September 30, 2018, but were instead recorded in fiscal 2019. The effect has understated fiscal 2018 support and overstated fiscal 2019 total support by that amount. Management has determined that this error is not significant to the overall financial statements for either year.

#### *INCOME TAXES*

The Organization is a qualified organization exempt from federal and California income taxes under the provisions of §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively. U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of September 30, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *CONCENTRATIONS OF RISK*

###### *Financial Instruments*

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, promises to give, and investments. The Organization monitors these items. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization attempts to limit its credit risk associated with investments by utilizing outside investment managers to place the Organization's investments with highly rated corporate and financial institutions. The Organization's cash is held in accounts at various financial institutions. Amounts held in accounts that exceed the Federal Deposit Insurance Corporation (FDIC) insurable limit are uninsured. As of September 30, 2019, cash balance exceeding the FDIC-insured limit of \$250,000 per depositor per institution, was approximately \$1,670,000. Management has never experienced and believes that the Organization is not exposed to any significant credit risk related to concentrations.

###### *Contributions and Other Support*

The Organization is dependent upon donations and other support from individuals, foundations, corporations, and other entities. Changes in level of such support may have a resulting effect on the level and type of activities and program services offered.

##### *FUNCTIONAL ALLOCATION OF EXPENSES*

The cost of providing various program services and other activities has been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Certain costs have been allocated, principally on a direct cost basis, among the programs and support services benefited. Personnel expense are allocated based on the function that each employees serve in the organization. Certain shared expense, such as supplies and materials, postage and printing, occupancy and depreciation, are allocated based on estimated percentage that management deemed reasonable.

##### *SUMMARIZED COMPARATIVE FINANCIAL INFORMATION*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's financial statements as of September 30, 2018, and for the year then ended, from which the summarized information was derived.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***RECLASSIFICATIONS***

Certain amounts in the summarized comparative totals for 2018 have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

##### ***NEW ACCOUNTING PRONOUNCEMENT***

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended September 30, 2018, however there were no adjustments to the Organization's change in net assets as previously reported.

#### NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The following table provides information as of September 30, 2019, about the Organization's investments measured at fair value on a recurring basis as classified in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 923,836	\$ -	\$ -	\$ 923,836
Bonds (U.S. fixed income)	994,485	-	-	994,485
International equity	295,335	-	-	295,335
ETFs and common stocks:				
International equity	96,382	-	-	96,382
Certificate of deposits	-	62,921	-	62,921
<b>Total</b>	<b>\$ 2,310,038</b>	<b>\$ 62,921</b>	<b>\$ -</b>	<b>\$ 2,372,959</b>

Mutual funds, exchange traded funds (ETFs) and common stocks are valued at the closing price reported on the active market on which the individual securities are traded and are generally categorized in Level 1 of the fair value hierarchy. Certificates of deposit are valued at original cost plus accrued interest, which approximates fair value.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at September 30, 2019, consist of the following:

	<u>Total</u>
Promises to give:	
Due in less than 1 year	\$ 3,362,672
Due in 1 to 5 years	<u>400,500</u>
Total promises to give	3,763,172
Less: Allowance for doubtful accounts	(198,428)
Less: Discount to net present value	<u>(55,899)</u>
<b>Promises to Give, Net</b>	<b><u>\$ 3,508,845</u></b>

Promises to give due in one to five years are stated at present value. Management has discounted these promises to give at rates ranging from 3.56% to 3.75%.

#### NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2019:

Furniture, fixtures, and equipment	\$ 471,526
Computer equipment	378,433
Leasehold improvements	360,264
Software	<u>173,292</u>
	1,383,515
Less: accumulated depreciation	<u>(1,013,182)</u>
<b>Total</b>	<b><u>\$ 370,333</u></b>

#### NOTE 5 – LINE OF CREDIT

The Organization has an unsecured revolving line of credit agreement for a maximum borrowing amount of \$1,000,000 through September 1, 2019. In August 2019, the line of credit agreement was amended with a new maturity date of September 1, 2020. Interest is payable at the greater of 2.50% or the prime rate minus 0.40% per annum. At September 30, 2019, the prime rate was 5.00%. The agreement contains reporting requirements and the maintenance of certain financial covenants. There was no outstanding balance owed on the line of credit as of September 30, 2019.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 5 – LINE OF CREDIT (CONTINUED)

Subsequent to year end, the Organization's line of credit was withdrawn on November 11, 2019 due to some of the financial covenants not being met. Management is currently establishing a new secured line of credit with a new financial institution which will be secured with the organization's investment assets.

#### NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019 were composed as follows:

Subject to time restrictions:

Annual Fund:

2019/2020	\$ 1,395,898
2020/2021	223,884
2021/2022	34,660
2022/2023	<u>1,874</u>

Total subject to time restrictions 1,656,316

Subject to expenditure for a specified purpose:

Mentor program	734,281
College success	117,094
Signature events	52,458
Scholarships	48,406
Salaries	<u>25,761</u>

Total subject to expenditure for specified purpose 978,000

Professional clothing restricted for students	17,084
Subject to spending policy and appropriations	291
Subject to donor restriction in perpetuity	<u>212,703</u>

**Total Net Assets With Donor Restrictions \$ 2,864,394**

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 7 – ENDOWMENT

The Organization's endowment consists of three individual donor-restricted funds established for the purpose of funding college scholarships. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted California's enacted version of 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, the Organization classifies net assets with donor restrictions (a) the original value of 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by 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.

Due to the nature of the endowment and donor requirements, the endowment is invested in cash and cash equivalents. As of September 30, 2019, no funds with underwater deficiencies existed. The Organization has not clarified its policy with respect to appropriations made from underwater endowment funds.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 7 – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2019, are as follows:

	Accumulated Earnings	Held in Perpetuity	Total
<b>Endowment Net Assets - Beginning</b>	\$ 255	\$ 187,703	\$ 187,958
Investment income	36	-	36
Contributions	-	25,000	25,000
<b>Endowment Net Assets - Ending</b>	<u>\$ 291</u>	<u>\$ 212,703</u>	<u>\$ 212,994</u>

#### NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2019, the Organization received contributions in the form of cash, shares of marketable securities and unconditional promises to give from members of its Board in the amount of \$5,437,836.

The Organization invests with Dodge & Cox and Osterweis Capital Management, each of which employs a member of the Board. Those Board members do not actively participate in managing the Organization's investments.

#### NOTE 9 – RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan covering all employees who are at least 18 years of age and have completed six months of service. Employer matching contributions are discretionary and determined by the Organization annually. Participants are immediately invested in their voluntary salary deferral contributions; vesting in the employer matching contributions is 33.33% upon completion of one year of credited service, 66.66% upon completion of two years of credited service, and 100% at the end of three years of credited service. During the year ended September 30, 2019, the Organization contributed \$221,901 to the plan.

#### NOTE 10 – COMMITMENTS

The Organization leases its office facilities under various monthly and annual operating leases expiring through August 2026. The leases generally provide that the Organization pay its share of insurance, taxes, and maintenance. The Organization signed a lease amendment in December 2019 to extend its Boston office lease for additional 5 years through February 2025. In February 2020, the Organization signed a new lease agreement for its San Francisco office. The lease expires in December 2024.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 10 – COMMITMENTS (CONTINUED)

Future minimum rental payments under the Organization’s operating leases, including Boston and San Francisco office lease amendments, are as follows:

For the Years Ending September 30	Amount
2020	\$ 1,315,059
2021	1,243,569
2022	731,806
2023	601,343
2024	550,505
Thereafter	<u>510,210</u>
<b>Total</b>	<b><u>\$ 4,952,492</u></b>

Rent expense for the year ended September 30, 2019, was \$1,184,819.

### NOTE 11 – AVAILABILITY AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization’s financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2019, were as follows:

Cash and cash equivalents	\$ 2,651,705
Other receivables	11,666
Promises to give	3,508,845
Investments	<u>2,372,959</u>
Total Financial Assets	8,545,175
Less:	
Promises to give to be received more than one year	(400,500)
Restrictions by donors in perpetuity and accumulated earnings subject to appropriation	<u>(212,994)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<b><u>\$ 7,931,681</u></b>

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 11 – AVAILABILITY AND LIQUIDITY (CONTINUED)

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. The Organization can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$1,000,000, all of which was unused and available to draw upon as of September 30, 2019. As discussed in Note 5 above, subsequent to year end the line of credit was withdrawn and management was negotiating a replacement credit facility.

### NOTE 12 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through March 3, 2020, the date the financial statements were available to be issued. Except as disclosed in Note 5 with respect to the withdrawal of the line of credit and Note 10 with respect to the lease agreements, there were no events requiring recognition or disclosure in the financial statements have been identified.