



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

# SUMMER SEARCH

## CONTENTS

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<b>Independent Auditors' Report</b> .....	1-2
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### **Financial Statements**

Statement of Financial Position .....	3
Statement of Activities and Changes in Net Assets.....	4-5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7-8

<b>Notes to Financial Statements</b> .....	9-23
--	------

## 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 (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

San Francisco, California  
February 21, 2018

**SUMMER SEARCH**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
<b>Assets</b>					
Cash and cash equivalents	\$ 2,433,510	\$ 1,440,883	\$ 187,703	\$ 4,062,096	\$ 3,052,791
Other receivables	100,736	--	--	100,736	9,145
Prepaid expenses and other assets	736,032	--	--	736,032	718,166
Promises to give, net	1,352,998	3,063,584	--	4,416,582	4,805,386
Investments	4,083,861	--	--	4,083,861	4,438,354
Property and equipment, net	409,772	--	--	409,772	446,649
<b>Total Assets</b>	<u>\$ 9,116,909</u>	<u>\$ 4,504,467</u>	<u>\$ 187,703</u>	<u>\$ 13,809,079</u>	<u>\$ 13,470,491</u>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Line of credit	\$ 500,000	\$ --	\$ --	\$ 500,000	\$ --
Accounts payable and accrued expenses	768,578	--	--	768,578	526,852
Accrued salaries	781,674	--	--	781,674	354,990
Deferred rent	190,153	--	--	190,153	199,214
<b>Total Liabilities</b>	2,240,405	--	--	2,240,405	1,081,056
<b>Net Assets</b>	<u>6,876,504</u>	<u>4,504,467</u>	<u>187,703</u>	<u>11,568,674</u>	<u>12,389,435</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,116,909</u>	<u>\$ 4,504,467</u>	<u>\$ 187,703</u>	<u>\$ 13,809,079</u>	<u>\$ 13,470,491</u>

*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, 2017  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
<b>Revenue, Gains (Losses), and Other Support</b>					
Contributions	\$ 9,496,748	\$ 3,518,196	\$ --	\$ 13,014,944	\$ 13,726,111
Special events	5,593,697	211,375	--	5,805,072	6,251,445
Contributed goods and services	1,725,375	--	--	1,725,375	1,869,473
Investment income (net of investment fees of \$30,156)	626,238	36	--	626,274	434,824
Other income	208	--	--	208	31,065
Bad debt losses	(40,200)	(400,000)	--	(440,200)	(168,990)
Net assets released from restrictions	<u>4,493,372</u>	<u>(4,493,372)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total Revenue, Gains (Losses), and Other Support</b>	<u>21,895,438</u>	<u>(1,163,765)</u>	<u>--</u>	<u>20,731,673</u>	<u>22,143,928</u>

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

## SUMMER SEARCH

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

**FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
<b>Expenses</b>					
<b>Program Services</b>					
Summer placement and mentoring	\$ 10,529,659	\$ --	\$ --	\$ 10,529,659	\$ 10,294,770
Staff training and development	2,170,546	--	--	2,170,546	2,309,843
College Success	708,567	--	--	708,567	550,456
College Access	483,099	--	--	483,099	548,417
Alumni	315,043	--	--	315,043	361,227
<b>Total Program Services</b>	<b>14,206,914</b>	<b>--</b>	<b>--</b>	<b>14,206,914</b>	<b>14,064,713</b>
<b>Supporting Services</b>					
Fundraising and development	5,061,567	--	--	5,061,567	5,033,970
Management and general	2,283,953	--	--	2,283,953	2,319,688
<b>Total Expenses</b>	<b>21,552,434</b>	<b>--</b>	<b>--</b>	<b>21,552,434</b>	<b>21,418,371</b>
<b>Change in Net Assets</b>	<b>343,004</b>	<b>(1,163,765)</b>	<b>--</b>	<b>(820,761)</b>	<b>725,557</b>
<b>Net Assets - Beginning</b>	<b>6,533,500</b>	<b>5,668,232</b>	<b>187,703</b>	<b>12,389,435</b>	<b>11,663,878</b>
<b>Net Assets - Ending</b>	<b>\$ 6,876,504</b>	<b>\$ 4,504,467</b>	<b>\$ 187,703</b>	<b>\$ 11,568,674</b>	<b>\$ 12,389,435</b>

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

# SUMMER SEARCH

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDING SEPTEMBER 30, 2017

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	Program Services						Supporting Services		2017	2016
	Summer Placement and Mentoring	Staff Training and Development	College Success	College Access	Alumni	Total	Fundraising and Development	Management and General		
Salaries and employee benefits	\$ 4,409,966	\$ 1,734,329	\$ 619,819	\$ 409,496	\$ 130,115	\$ 7,303,725	\$ 3,445,595	\$ 1,488,943	\$ 12,238,263	\$ 11,609,279
Scholarships and student support	4,770,622	1,896	65,438	17,421	158,179	5,013,556	1,458	--	5,015,014	5,362,858
Occupancy	918,797	120,723	--	--	--	1,039,520	126,759	175,049	1,341,328	1,276,835
Direct benefit to donors	--	--	--	--	--	--	1,007,381	--	1,007,381	1,017,304
Professional fees	59,326	87,197	280	38,983	3,380	189,166	127,081	289,222	605,469	519,684
Travel and training	25,886	117,320	3,638	4,252	5,190	156,286	62,853	86,964	306,103	458,860
Equipment purchase and repair	66,667	51,049	16	65	34	117,831	35,535	64,500	217,866	211,651
Communication	72,801	21,526	9,453	6,609	2,130	112,519	36,444	39,290	188,253	169,007
Depreciation	116,267	15,302	--	--	--	131,569	16,067	22,187	169,823	144,188
Postage and printing	19,696	4,611	2,838	2,724	2,340	32,209	74,369	16,421	122,999	147,634
Program event expenses	48,859	23	2,979	1,924	8,316	62,101	--	1,255	63,356	95,505
Supplies and materials	17,806	2,548	1,244	1,099	3,140	25,837	6,795	19,174	51,806	57,970
Insurance	--	--	--	--	--	--	--	38,005	38,005	26,532
Promotional materials	--	--	--	--	115	115	22,519	2,030	24,664	53,585
Other	2,966	14,022	2,862	526	2,104	22,480	98,711	71,069	192,260	298,608
	<u>10,529,659</u>	<u>2,170,546</u>	<u>708,567</u>	<u>483,099</u>	<u>315,043</u>	<u>14,206,914</u>	<u>5,061,567</u>	<u>2,314,109</u>	<u>21,582,590</u>	<u>21,449,500</u>
Less: expenses included with revenues on the statement of activities and changes in net assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(30,156)</u>	<u>(30,156)</u>	<u>(31,129)</u>
	<u>\$ 10,529,659</u>	<u>\$ 2,170,546</u>	<u>\$ 708,567</u>	<u>\$ 483,099</u>	<u>\$ 315,043</u>	<u>\$ 14,206,914</u>	<u>\$ 5,061,567</u>	<u>\$ 2,283,953</u>	<u>\$ 21,552,434</u>	<u>\$ 21,418,371</u>

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

**SUMMER SEARCH**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
<b>Cash Flows From Operating Activities</b>					
Change in net assets	\$ 343,004	\$ (1,163,765)	\$ --	\$ (820,761)	\$ 725,557
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Change in allowance for doubtful promises to give	40,200	400,000	--	440,200	168,990
Donated stock	(263,847)	--	--	(263,847)	--
Net realized and unrealized gains on investments	(401,874)	--	--	(401,874)	(182,306)
Depreciation	169,823	--	--	169,823	144,188
Loss on disposal of property and equipment	322	--	--	322	41,215
Changes in operating assets and liabilities:					
Other receivables	(91,591)	--	--	(91,591)	(26)
Prepaid expenses and other assets	(17,866)	--	--	(17,866)	(106,459)
Promises to give	(322,575)	271,179	--	(51,396)	(366,221)
Accounts payable and accrued expenses	241,726	--	--	241,726	382,811
Accrued salaries	426,684	--	--	426,684	(4,183)
Deferred rent	(9,061)	--	--	(9,061)	127,977
<b>Net Cash (Used In) Provided By Operating Activities</b>	<u>114,945</u>	<u>(492,586)</u>	<u>--</u>	<u>(377,641)</u>	<u>931,543</u>

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

**SUMMER SEARCH**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
<b>Cash Flows From Investing Activities</b>					
Purchase of investments	\$ (692,261)	\$ --	\$ --	\$ (692,261)	\$ (331,948)
Proceeds from the sale or maturity of investments	1,707,530	4,945	--	1,712,475	764,691
Purchase of property and equipment	<u>(133,268)</u>	<u>--</u>	<u>--</u>	<u>(133,268)</u>	<u>(365,970)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>882,001</u>	<u>4,945</u>	<u>--</u>	<u>886,946</u>	<u>66,773</u>
<b>Cash Flows From Financing Activities</b>					
Line of credit draws	700,000	--	--	700,000	500,000
Line of credit repayments	<u>(200,000)</u>	<u>--</u>	<u>--</u>	<u>(200,000)</u>	<u>(700,000)</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<u>500,000</u>	<u>--</u>	<u>--</u>	<u>500,000</u>	<u>(200,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,496,946	(487,641)	--	1,009,305	798,316
<b>Cash and Cash Equivalents - Beginning</b>	<u>936,564</u>	<u>1,928,524</u>	<u>187,703</u>	<u>3,052,791</u>	<u>2,254,475</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,433,510</u>	<u>\$ 1,440,883</u>	<u>\$ 187,703</u>	<u>\$ 4,062,096</u>	<u>\$ 3,052,791</u>

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

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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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 with a comprehensive transformative program that gives students the inspiration, knowledge, and skills necessary to unlock their potential, achieve academic and professional success, and become positive leaders within their communities. The Organization’s mission is to identify resilient, low-income high school students and inspire them to become responsible and altruistic leaders by providing a combination of year-round mentoring, life-changing summer experiences, college advising, and a lasting support network.

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. After seeing the difficulties students faced in reconciling their personal growth on their summer programs with the roadblocks and isolation of persistent poverty in their home communities, she began to redefine the Organization. Over the years, it has evolved into an innovative youth development program that works intensively with young people beginning in their sophomore year of high school and continuing through college. 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 has developed a unique combination, sequencing, and duration of services which sets it apart from other youth development organizations. The Organization’s programs include:

#### *Weekly Mentoring*

Full-time staff mentors work one-on-one with students, providing holistic support and challenging students to gain greater self-awareness and accept personal responsibility for their growth and academic success. Through mentoring, students build a trusting and enduring relationship with an adult, some for the first time in their lives.

#### *Two Summer Experiential Education Programs*

Each student receives two full scholarships to life-changing summer experiential education programs, including wilderness leadership expeditions, academic enrichment programs, community service, and home-stays abroad. These programs enable students to push themselves and succeed beyond what they think is possible physically, emotionally, and intellectually.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

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

##### *College and Financial Aid Advisory Services*

The Organization helps students realize the best educational opportunities possible by providing one-on-one college and financial aid counseling and college preparation workshops throughout their junior and senior years of high school. These services ensure that students have the tools to successfully navigate the college admissions process.

##### *Post-Secondary and Alumni Services*

The Organization provides structured mentoring and support in students' freshman and sophomore years of post-secondary school. An array of alumni services helps graduates be successful in the world beyond high school and college. Examples include networking events with other alumni and donors and professional development services such as career workshops, internships, and professional mentors.

#### *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*

U.S. GAAP requires that the Organization report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Organization are classified and reported as described below:

##### *Unrestricted*

Those net assets and activities which represent the portion of expendable funds that are available to support the Organization's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

##### *Temporarily Restricted*

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

#### *CLASSIFICATION OF NET ASSETS (CONTINUED)*

##### *Permanently Restricted*

Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

#### *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 OF FINANCIAL INSTRUMENTS*

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 carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables and payables approximate fair value as these receivables and payables earn, or are charged, interest based on the prevailing rates.

#### *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.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

#### *PROMISES TO GIVE (CONTINUED)*

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.

#### *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 five 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. Reduced 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.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

#### *REVENUE RECOGNITION*

##### *Contributions*

Contributions are recognized as revenue when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

##### *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 unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time.

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

The Organization records contribution revenue 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, 2017, were \$1,725,375. Contributed scholarships from summer program partners represent 89% of this amount. The remaining 11% consists of contributed supplies and special event expenses.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

#### *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, 2017, 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.

#### *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. Management 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.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

#### *SUMMARIZED COMPARATIVE FINANCIAL INFORMATION*

The 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 financial statements as of September 30, 2016, and for the year then ended, from which the summarized information was derived.

#### *RECLASSIFICATIONS*

Certain amounts in the comparative totals for 2016 have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

### NOTE 2 - FAIR VALUE MEASUREMENTS

The Organization's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

#### *Level 1*

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

#### *Level 2*

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

#### *Level 3*

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2017

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#### NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended September 30, 2017.

#### *Mutual Funds, Exchange Traded Funds (“ETFs”) and Common Stock*

Valued at the closing price reported on the active market on which the individual securities are traded and generally categorized in Level 1 of the fair value hierarchy.

The following table provides information as of September 30, 2017, about the Organization’s investments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 2,037,788	\$ --	\$ --	\$ 2,037,788
Bonds (U.S. fixed income)	1,410,688	--	--	1,410,688
International equity	225,900	--	--	225,900
ETFs and common stock:				
Domestic equity	280,256	--	--	280,256
International equity	<u>129,229</u>	<u>--</u>	<u>--</u>	<u>129,229</u>
<b>Total</b>	<u>\$ 4,083,861</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,083,861</u>

The Organization’s policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. The Organization had no transfers into or out of levels of the fair value hierarchy during the year ended September 30, 2017.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at September 30, 2017, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
Unrestricted:			
Promises to give to local offices	\$ 1,450,387	\$ --	\$ 1,450,387
Allowance for doubtful accounts	<u>(97,389)</u>	<u>--</u>	<u>(97,389)</u>
	<u>1,352,998</u>	<u>--</u>	<u>1,352,998</u>
Temporarily restricted:			
Promises to give	1,847,587	1,440,752	3,288,339
Allowance for doubtful accounts	(94,873)	(73,983)	(168,856)
Discount to net present value	<u>--</u>	<u>(55,899)</u>	<u>(55,899)</u>
	<u>1,752,714</u>	<u>1,310,870</u>	<u>3,063,584</u>
<b>Total</b>	<u>\$ 3,105,712</u>	<u>\$ 1,310,870</u>	<u>\$ 4,416,582</u>

Promises to give due in one to five years are stated at present values. Management has discounted these promises to give at rates ranging from 3.31% to 3.62%.

One donor, a member of the Board of Directors, comprises approximately 16% of total promises to give at September 30, 2017.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2017:

Furniture, fixtures, and equipment	\$	396,034
Computer equipment		309,120
Leasehold improvements		273,377
Software		<u>166,136</u>
		1,144,667
Less: accumulated depreciation		<u>(734,895)</u>
<b>Total</b>	<b>\$</b>	<b><u>409,772</u></b>

### NOTE 5 - LINE OF CREDIT

The Organization has a revolving line of credit agreement for a maximum borrowing amount of \$1,000,000 through June 1, 2018. Interest was payable at the greater of the prime rate plus 1.00% or 4.50% through May 30, 2017. Effective June 1, 2017, interest is payable at the greater of prime rate plus 0.50%, or 4.50%. At September 30, 2017, the prime rate was 4.25%.

Interest expense for the year ended September 30, 2017, was \$3,370.

The line of credit is secured by all of the Organization's assets, and borrowing under the line is intended for general working capital purposes. At September 30, 2017, there was a balance of \$500,000.

### NOTE 6 - UNRESTRICTED NET ASSETS

Unrestricted net assets are as follows at September 30, 2017:

Net investment in property and equipment	\$	409,772
Board-designated for operating expenses		1,315,191
Undesignated		<u>5,151,541</u>
<b>Total</b>	<b>\$</b>	<b><u>6,876,504</u></b>

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017, may be expended or are restricted for:

Inherent time restrictions:

Annual Fund:

2017/2018	\$ 1,308,036
2018/2019	935,574
2019/2020	320,586
2020/2021	22,470
Mentor	260,001
Signature Events	180,000
Expand the Dream Campaign*	17,358
All others	<u>19,559</u>

3,063,584

Cash and investments:

Mentor program	686,500
Annual Fund:	
2017/2018	498,981
2018/2019	5,000
College success	125,000
Innovation	51,553
Scholarships	47,599
Salaries	<u>26,250</u>

**Total** \$ 4,504,467

\*The Expand the Dream Campaign represents funds which can be used for operations.

### NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include gifts with respect to which donors have stipulated as a condition in the gift instrument that the principal is to be held indefinitely. Permanently restricted net assets total \$187,703 at September 30, 2017, and is intended to generate income restricted for scholarships.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 9 - ENDOWMENT

The Organization's endowment consists of two individual donor-restricted funds (Note 8) 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 as permanently restricted net assets (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 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 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.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2017

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#### NOTE 9 - ENDOWMENT (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment Net Assets -</b>				
Beginning	\$ --	\$ 183	\$ 187,703	\$ 187,886
Investment income	<u>--</u>	<u>36</u>	<u>--</u>	<u>36</u>
<b>Endowment Net Assets -</b>				
Ending	<u>\$ --</u>	<u>\$ 219</u>	<u>\$ 187,703</u>	<u>\$ 187,922</u>

#### NOTE 10 - INVESTMENT INCOME

Investment income, net of investment fees, for the year ended September 30, 2017, consists of the following:

Net realized and unrealized gains on investments	\$ 401,874
Dividend and interest income	<u>224,400</u>
<b>Total</b>	<u>\$ 626,274</u>

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors during the year ended September 30, 2017, as follows:

Annual Fund	\$ 2,499,849
Mentor program	660,665
Innovation	558,823
Salaries	208,058
College success	162,500
Scholarships	148,272
Summer program	67,500
Signature Events	67,312
Expand the Dream Campaign	64,719
Alumni	50,500
Operations	<u>5,174</u>
<b>Total</b>	<b><u>\$ 4,493,372</u></b>

### NOTE 12 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2017, the Organization received contributions in the form of cash, shares of marketable securities and unconditional promises to give from members of its Board of Directors in the amount of \$3,942,364.

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

### NOTE 13 - 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.

# SUMMER SEARCH

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2017

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#### NOTE 13 - RETIREMENT PLAN (CONTINUED)

During the year ended September 30, 2017, the Organization contributed \$202,702 to the plan.

#### NOTE 14 - COMMITMENTS

The Organization leases its office facilities under monthly and annual operating leases expiring through February 2023. The leases generally provide that the Organization pay for a percentage of insurance, taxes, and maintenance.

Future minimum rental payments under the Organization's operating leases are as follows:

For the Years Ending September 30,	Amount
2018	\$ 1,150,057
2019	1,160,649
2020	1,030,208
2021	664,410
2022	139,997
Thereafter	<u>30,730</u>
<b>Total</b>	<b><u>\$ 4,176,051</u></b>

Rent expense for the year ended September 30, 2017, was \$1,150,951.

#### NOTE 15 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year ended September 30, 2017, was \$1,325.

#### NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 21, 2018, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.