



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

SUMMER SEARCH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Summer Search

Opinion

We have audited the financial statements of Summer Search (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
March 10, 2023

SUMMER SEARCH
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,989,327	\$ 7,641,142
Other receivables	105,520	2,691
Prepaid expenses and other assets	522,123	805,952
Promises to give, net	16,299,560	12,041,032
Investments	7,649,335	6,490,468
Property and equipment, net	350,283	230,545
Total Assets	\$ 31,916,148	\$ 27,211,830
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 844,038	\$ 661,784
Accrued salaries and vacation	1,129,993	1,089,098
Deferred rent	57,080	46,233
Total Liabilities	2,031,111	1,797,115
Net Assets		
Without donor restrictions	12,696,475	12,300,302
With donor restrictions	17,188,562	13,114,413
Total Net Assets	29,885,037	25,414,715
Total Liabilities and Net Assets	\$ 31,916,148	\$ 27,211,830

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, 2022

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Gains, and Other Support				
Contributions	\$ 10,662,058	\$ 13,876,290	\$ 24,538,348	\$ 28,491,814
Special events, net of direct benefits to donors	1,351,801	352,964	1,704,765	2,691,110
Contributed goods and services	786,750	--	786,750	828,299
Other income	213,966	--	213,966	37,539
Investment income (loss), net	(1,242,456)	691	(1,241,765)	337,802
Loan forgiveness	--	--	--	2,488,300
Loss on pledges	--	--	--	(195,000)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	4,144,623	(4,144,623)	--	--
Satisfaction of time restrictions	6,011,173	(6,011,173)	--	--
Total Revenue, Gains, and Other Support	<u>21,927,915</u>	<u>4,074,149</u>	<u>26,002,064</u>	<u>34,679,864</u>
Expenses				
Program Services				
Summer placement and mentoring	6,737,752	--	6,737,752	6,070,400
Staff training and development	5,435,206	--	5,435,206	4,542,545
Alumni	1,029,395	--	1,029,395	437,864
Post-Secondary Access	947,743	--	947,743	754,050
Post-Secondary Success	712,611	--	712,611	932,890
Total Program Services	14,862,707	--	14,862,707	12,737,749
Supporting Services				
Fundraising and development	4,063,970	--	4,063,970	3,797,251
Management and general	2,605,065	--	2,605,065	2,370,402
Total Expenses	<u>21,531,742</u>	<u>--</u>	<u>21,531,742</u>	<u>18,905,402</u>
Change in Net Assets	<u>396,173</u>	<u>4,074,149</u>	<u>4,470,322</u>	<u>15,774,462</u>
Net Assets – Beginning of Year	<u>12,300,302</u>	<u>13,114,413</u>	<u>25,414,715</u>	<u>9,640,253</u>
Net Assets – End of Year	<u>\$ 12,696,475</u>	<u>\$ 17,188,562</u>	<u>\$ 29,885,037</u>	<u>\$ 25,414,715</u>

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

SUMMER SEARCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	Program Services						Supporting Services		Total Expenses 2022	Direct Benefits to Donors	Total Functional Expenses 2022	Total 2021
	Summer Placement and Mentoring	Staff Training and Development	Alumni	Post-Secondary Access	Post-Secondary Success	Total	Fundraising and Development	Management and General				
Salaries and employee benefits	\$3,124,363	\$4,526,010	\$898,427	\$851,137	\$620,575	\$ 10,020,512	\$3,578,358	\$1,540,370	\$ 15,139,240	\$ --	\$ 15,139,240	\$ 13,322,408
Scholarships and student support	2,272,586	26,476	110,740	63,736	14,221	2,487,759	--	--	2,487,759	--	2,487,759	2,278,289
Occupancy	979,195	118,916	--	--	--	1,098,111	101,246	119,871	1,319,228	--	1,319,228	1,423,579
Professional fees	11,845	393,669	--	213	8,172	413,899	77,820	570,256	1,061,975	--	1,061,975	786,579
Program and event expenses	9,365	7,384	2,563	2,579	11,285	33,176	--	--	33,176	630,278	663,454	369,563
Equipment purchase and repair	74,403	66,368	--	--	28,674	169,445	51,703	108,217	329,365	--	329,365	196,684
Travel and training	41,222	105,051	2,636	11,318	16,751	176,978	55,681	58,599	291,258	--	291,258	103,669
Other	15,910	80,277	2,178	1,223	2,787	102,375	25,410	80,906	208,691	--	208,691	152,703
Communication	87,487	30,754	11,824	14,294	5,349	149,708	42,655	14,913	207,276	--	207,276	233,568
Depreciation	105,485	10,873	--	--	--	116,358	9,257	10,960	136,575	--	136,575	121,036
Supplies and materials	9,570	55,857	781	1,582	312	68,102	3,726	6,132	77,960	--	77,960	40,898
Finance and bank charges	--	--	--	--	--	--	59,139	17,582	76,721	--	76,721	102,085
Insurance	--	--	--	--	--	--	--	67,475	67,475	--	67,475	57,581
Postage and printing	5,674	13,571	246	600	4,068	24,159	27,687	1,630	53,476	--	53,476	43,068
Promotional materials	647	--	--	1,061	417	2,125	31,288	8,154	41,567	--	41,567	30,260
	<u>\$ 6,737,752</u>	<u>\$ 5,435,206</u>	<u>\$ 1,029,395</u>	<u>\$ 947,743</u>	<u>\$ 712,611</u>	<u>\$ 14,862,707</u>	<u>\$ 4,063,970</u>	<u>\$ 2,605,065</u>	<u>\$ 21,531,742</u>	<u>\$ 630,278</u>	<u>\$ 22,162,020</u>	<u>\$ 19,261,970</u>

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

SUMMER SEARCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 4,470,322	\$ 15,774,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for doubtful promises to give	(4,833)	128,671
Net realized and unrealized losses (gains) on investments	1,354,032	(294,444)
Depreciation	136,575	121,036
Loan forgiveness	--	(2,488,300)
Loss on disposal of property and equipment	2,794	1,091
Changes in operating assets and liabilities:		
Other receivables	(102,829)	(256)
Prepaid expenses and other assets	283,829	520,409
Promises to give, net	(4,253,695)	(9,900,159)
Accounts payable and accrued expenses	182,254	266,269
Accrued salaries and vacation	40,895	21,832
Deferred rent	10,847	(33,560)
Net Cash Provided by Operating Activities	<u>2,120,191</u>	<u>4,117,051</u>
Cash Flows From Investing Activities		
Purchase of investments	(7,694,144)	(1,792,615)
Proceeds from the sale or maturity of investments	3,368,308	895,019
Purchase of property and equipment	(259,107)	(110,160)
Net Cash Used in Investing Activities	<u>(4,584,943)</u>	<u>(1,007,756)</u>
Net Increase in Cash and Cash Equivalents	(2,464,752)	3,109,295
Cash and Cash Equivalents – Beginning	<u>10,796,873</u>	<u>7,687,578</u>
Cash and Cash Equivalents – Ending	<u>\$ 8,332,121</u>	<u>\$ 10,796,873</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 6,989,327	\$ 7,641,142
Cash and cash equivalents held for investment purposes	1,342,794	3,155,731
Total cash and cash equivalents	<u>\$ 8,332,121</u>	<u>\$ 10,796,873</u>
SUPPLEMENTAL INFORMATION		
NONCASH FINANCING ACTIVITIES		
Loan forgiveness	<u>\$ --</u>	<u>\$ 2,488,300</u>

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

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 the Organization has 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.

Due to COVID-19, in fiscal year 2022, the Organization was able to provide hybrid in-person traditional summer experiences as well as virtual summer experiences.

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

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

PURPOSE AND ORGANIZATION (CONTINUED)

Post-Secondary Advising (continued)

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.

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.

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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:

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 held for investment purposes are considered investments.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period such unconditional promises are made by the donor. 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. Promises to give are considered conditional if the agreement includes a measurable performance or barrier and a right of return. Conditional promises to give are recognized only when they become unconditional, that is, when the barrier(s) in the agreement are met. 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.

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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 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 unconditional contributions and 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.

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

REVENUE RECOGNITION (CONTINUED)

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.

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.

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, 2022, 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

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

CONCENTRATIONS OF RISK (CONTINUED)

Financial Instruments (continued)

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, 2022, cash balance exceeding the FDIC-insured limit of \$250,000 per depositor per institution, was approximately \$7,037,000. 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. For the year ended September 30, 2022, approximately 35% of the Organization's contribution revenue came from five donors. As of September 30, 2022, approximately 56% of promises to give are due from five donors.

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, 2021, and for the year then ended, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2020, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets,

SUMMER SEARCH

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profits (NFPs) to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The adoption of the standard did not result in a material change to the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize all leases (other than leases with a term of 12 months or fewer) on the statement of financial position as lease liabilities, based upon the present value of the future lease payments, with corresponding rights of use assets. ASU 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria as well as the lessor accounting model, including guidance on separating components of a contract and consideration in the contract. Although the amendments in ASU 2016-02 permitted early adoption, the Organization elected not to adopt the pronouncement during the year ended September 30, 2022. The Organization will implement ASU 2016-02 on October 1, 2022, which will require modified retrospective application as of the beginning of the earliest period presented in the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The following table provides information as of September 30, 2022, 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
Equities	\$ 4,239,462	\$ -	\$ -	\$ 4,239,462
Bonds (fixed income)	-	2,001,162	-	2,001,162
Certificates of deposit	-	65,917	-	65,917
Total Investments Measured				
in Fair Value Hierarchy	<u>\$ 4,239,462</u>	<u>\$ 2,067,079</u>	<u>\$ -</u>	<u>\$ 6,306,541</u>
Cash and cash equivalents				<u>1,342,794</u>
Total Investments				<u>\$ 7,649,335</u>

Equities are valued at the closing price reported on the active market on which the individual securities are traded. Bonds are valued based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk. 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, 2022

NOTE 3 – PROMISES TO GIVE, NET

Unconditional promises to give at September 30, 2022, consist of the following:

Due in less than 1 year	\$ 10,663,295
Due in 1 to 5 years	<u>6,762,328</u>
Subtotal	17,425,623
Less: allowance for doubtful accounts	(262,005)
Less: discount to net present value	<u>(864,058)</u>
Total	<u>\$ 16,299,560</u>

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 4.16% to 4.25%.

As of September 30, 2022, the Organization had a \$500,000 conditional grant receivable from one donor, which is not reflected on the accompanying statement of financial position. This conditional grant requires the Organization's completion of contractual tasks and milestones which are subject to periodic donor review and approval before the project may continue and, therefore, the Organization has not recognized any revenue from the conditional portions of this grant.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2022:

Furniture, fixtures, and equipment	\$ 493,081
Computer equipment	426,863
Leasehold improvements	517,410
Software	<u>79,307</u>
	1,516,661
Less: accumulated depreciation	<u>(1,166,378)</u>
Total	<u>\$ 350,283</u>

NOTE 5 – LINE OF CREDIT

The Organization has a secured revolving line of credit agreement for a maximum borrowing amount of \$1,000,000 through March 15, 2022. Interest is payable at the variable rate based on the prime rate minus a spread of 1.500% per annum, rounded up to the nearest one-eighth of one percent (.125%) resulting in an initial rate of 1.750% ("Interest Rate") per annum. The

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 5 – LINE OF CREDIT (CONTINUED)

line of credit is subject to a “Floor Rate” of 1.500% per annum, so the Interest Rate will never fall below the Floor Rate. At September 30, 2022, the prime rate was 6.25%. The agreement is secured by Organization’s marketable securities. There was no outstanding balance owed on the line of credit as of September 30, 2022.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2022 were composed as follows:

Subject to time restrictions:	
Annual Fund:	
2022/2023	\$ 9,214,551
2023/2024	4,014,816
2024/2025	1,300,001
2025/2026	<u>513,001</u>
Present Value Discount	<u>(864,058)</u>
Total subject to time restrictions	14,178,311
Subject to expenditure for a specified purpose:	
Mentor program	441,349
Salaries	145,000
Signature events	447,965
College success	1,403,750
Scholarships	157,304
Connect	30,000
Summer program	<u>169,480</u>
Total subject to expenditure for specified purpose	2,794,848
Subject to spending policy and appropriations (Note 7)	2,700
Subject to donor restriction in perpetuity (Note 7)	<u>212,703</u>
Total Net Assets With Donor Restrictions	<u>\$ 17,188,562</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 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, 2022, no funds with underwater deficiencies existed. The Organization has not clarified its policy with respect to appropriations made from underwater endowment funds.

Changes in endowment net assets for the year ended September 30, 2022, are as follows:

	Accumulated Earnings	Held in Perpetuity	Total
Endowment Net Assets – Beginning	\$ 2,009	\$ 212,703	\$ 214,712
Investment income	<u>691</u>	<u>-</u>	<u>691</u>
Endowment Net Assets – Ending	<u>\$ 2,700</u>	<u>\$ 212,703</u>	<u>\$ 215,403</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2022, 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 \$4,476,492.

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 – CONTRIBUTED GOODS AND SERVICES

Contributed goods and services for the year ended August 31, 2022, included the following:

Tuition scholarships	\$ 660,546
Advertising	77,284
Professional services	47,772
Others	<u>1,148</u>
Total	<u>\$ 786,750</u>

There were no donor-imposed restrictions associated with the contributed goods and services. Donated tuition scholarships are recorded at the estimated fair value provided by the donor based on current hourly and weekly market rates for similar services. These tuition scholarships represent educational services received by Summer Search programs at no or reduced cost from various donors and charitable institutions around the country. The associated expense is recorded in summer placement and mentoring program in the accompanying statement of activities.

Contributed advertising is recorded at the estimated fair value provided by the donor based on number of clicks and advertising rates in a similar manner using a market-based approach. These donated advertisements are recorded in management and general in the accompanying statement of activities.

Professional services are recorded at the estimated fair value, with corresponding expenses recorded in management and general in the accompanying statement of activities. The estimated fair value is valued based on U.S. wholesale market prices of identical or similar products and rates for similar services.

Others include donated supplies and travel points and are recorded in post-secondary success and management and general in the accompanying statement of activities.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 10 – 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, 2022, the Organization contributed \$235,200 to the plan.

NOTE 11 – COMMITMENTS

The Organization leases its office facilities under various monthly and annual operating leases expiring through September 2026. The leases generally provide that the Organization pay its share of insurance, taxes, and maintenance.

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
2023	\$ 744,112
2024	667,239
2025	555,401
2026	<u>164,865</u>
Total	<u>\$ 2,131,617</u>

Rent expense for the year ended September 30, 2022, was \$1,068,678.

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FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 12 – 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, 2022, were as follows:

Cash and cash equivalents	\$ 6,989,327
Other receivables	105,520
Promises to give, net	16,299,560
Investments	<u>7,649,335</u>
Total Financial Assets	31,043,742
Less:	
Promises to give to be received more than one year	(6,762,328)
Restrictions by donors in perpetuity and accumulated earnings subject to appropriation	<u>(215,403)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 24,066,011</u>

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, 2022.

NOTE 13 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through March 10, 2023, the date the financial statements were available to be issued. There were no events requiring recognition or disclosure in the financial statements have been identified.