



**Summer Search**  
where change begins

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

**Years Ended September 30, 2009 and 2008**

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LAUTZE & LAUTZE  
CPAs & FINANCIAL ADVISORS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
SUMMER SEARCH  
San Francisco, California

We have audited the accompanying statements of financial position of SUMMER SEARCH (the Organization) as of September 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lautze & Lautze*

San Francisco, California  
January 22, 2010

**SUMMER SEARCH**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30,

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Cash and cash equivalents, including \$68,932 (\$68,617 in 2008) board-designated for operating reserves	\$ 1,363,862	\$ 63,647	\$ 60,000	\$ 1,487,509	\$ 2,063,510	\$ 68,730	\$ 60,000	\$ 2,192,240
Other receivables	14,356	-	-	14,356	10,783	-	-	10,783
Prepaid expenses and other assets	253,862	-	-	253,862	226,799	-	-	226,799
Promises to give, net	78,574	10,856,331	-	10,934,905	214,798	7,689,169	-	7,903,967
Investments	2,755,878	-	-	2,755,878	2,601,924	65,220	-	2,667,144
Property and equipment, net	257,117	-	-	257,117	119,622	-	-	119,622
Total assets	<u>\$ 4,723,649</u>	<u>\$ 10,919,978</u>	<u>\$ 60,000</u>	<u>\$ 15,703,627</u>	<u>\$ 5,237,436</u>	<u>\$ 7,823,119</u>	<u>\$ 60,000</u>	<u>\$ 13,120,555</u>
<b>LIABILITIES AND NET ASSETS</b>								
Liabilities:								
Accounts payable and accrued expenses	\$ 192,598	\$ -	\$ -	\$ 192,598	\$ 195,714	\$ -	\$ -	\$ 195,714
Accrued vacation	203,755	-	-	203,755	157,027	-	-	157,027
Deferred rent	21,378	-	-	21,378	42,221	-	-	42,221
Total liabilities	417,731	-	-	417,731	394,962	-	-	394,962
Commitments								
Net assets	4,305,918	10,919,978	60,000	15,285,896	4,842,474	7,823,119	60,000	12,725,593
Total liabilities and net assets	<u>\$ 4,723,649</u>	<u>\$ 10,919,978</u>	<u>\$ 60,000</u>	<u>\$ 15,703,627</u>	<u>\$ 5,237,436</u>	<u>\$ 7,823,119</u>	<u>\$ 60,000</u>	<u>\$ 13,120,555</u>

**SUMMER SEARCH**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended September 30,

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support:								
Contributions	\$ 4,080,760	\$ 7,370,625	\$ -	\$ 11,451,385	\$ 5,524,768	\$ 9,156,972	\$ -	\$ 14,681,740
Fundraising	2,051,527	43,000	-	2,094,527	3,042,102	53,725	-	3,095,827
Donated services and materials	1,534,534	-	-	1,534,534	1,324,799	-	-	1,324,799
Investment income (loss), net	152,252	-	-	152,252	(595,308)	-	-	(595,308)
Other income	124,789	-	-	124,789	30,861	-	-	30,861
Net assets released from restrictions	4,207,116	(4,207,116)	-	-	1,506,146	(1,506,146)	-	-
Total revenue, gains, and other support	<u>12,150,978</u>	<u>3,206,509</u>	<u>-</u>	<u>15,357,487</u>	<u>10,833,368</u>	<u>7,704,551</u>	<u>-</u>	<u>18,537,919</u>
Expenses and losses:								
Program expenses:								
Summer placement and mentoring	7,444,690	-	-	7,444,690	6,255,905	-	-	6,255,905
Staff training and development	963,197	-	-	963,197	838,854	-	-	838,854
Alumni	306,296	-	-	306,296	729,630	-	-	729,630
College counseling	584,553	-	-	584,553	266,311	-	-	266,311
Total program expenses	9,298,736	-	-	9,298,736	8,090,700	-	-	8,090,700
Supporting services:								
Fundraising and development	2,137,516	-	-	2,137,516	1,587,607	-	-	1,587,607
Management and general	1,234,791	-	-	1,234,791	1,052,225	-	-	1,052,225
Total expenses	12,671,043	-	-	12,671,043	10,730,532	-	-	10,730,532
Bad debts	16,491	109,650	-	126,141	60,090	32,832	-	92,922
Total expenses and losses	<u>12,687,534</u>	<u>109,650</u>	<u>-</u>	<u>12,797,184</u>	<u>10,790,622</u>	<u>32,832</u>	<u>-</u>	<u>10,823,454</u>
Change in net assets	(536,556)	3,096,859	-	2,560,303	42,746	7,671,719	-	7,714,465
Net assets:								
Beginning of year	4,842,474	7,823,119	60,000	12,725,593	4,799,728	151,400	60,000	5,011,128
End of year	<u>\$ 4,305,918</u>	<u>\$ 10,919,978</u>	<u>\$ 60,000</u>	<u>\$ 15,285,896</u>	<u>\$ 4,842,474</u>	<u>\$ 7,823,119</u>	<u>\$ 60,000</u>	<u>\$ 12,725,593</u>

See notes to financial statements.

**SUMMER SEARCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended September 30, 2009

	Program Expenses					Supporting Services		
	Summer Placement and Mentoring	Staff Training and Development	Alumni	College Counseling	Total	Fundraising and Development	Management and General	Total
Salaries and employee benefits	\$ 2,416,525	\$ 526,361	\$ 184,190	\$ 279,508	\$ 3,406,584	\$ 1,303,931	\$ 1,014,998	\$ 5,725,513
Scholarships and student support	4,220,334	-	101,715	245,873	4,567,922	-	-	4,567,922
Event expenses	74,795	20,510	9,196	-	104,501	510,260	-	614,761
Occupancy	437,787	56,936	-	-	494,723	-	-	494,723
Travel and training	31,416	127,612	5,997	3,325	168,350	102,931	4,527	275,808
Professional fees	21,096	51,445	60	50,019	122,620	80,098	152,084	354,802
Equipment purchase and repair	63,436	107,320	-	-	170,756	-	-	170,756
Postage and printing	39,871	4,627	1,420	2,124	48,042	61,825	9,576	119,443
Depreciation	51,516	42,315	-	-	93,831	-	-	93,831
Communication	51,435	19,021	1,856	1,895	74,207	9,231	4,751	88,189
Other	4,282	2,972	500	605	8,359	31,818	15,346	55,523
Supplies and materials	32,197	4,078	1,362	1,204	38,841	8,138	8,469	55,448
Promotional materials	-	-	-	-	-	29,284	-	29,284
Insurance	-	-	-	-	-	-	25,040	25,040
	<u>\$ 7,444,690</u>	<u>\$ 963,197</u>	<u>\$ 306,296</u>	<u>\$ 584,553</u>	<u>\$ 9,298,736</u>	<u>\$ 2,137,516</u>	<u>\$ 1,234,791</u>	<u>\$ 12,671,043</u>

**SUMMER SEARCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended September 30, 2008

	Program Expenses					Supporting Services		
	Summer Placement and Mentoring	Staff Training and Development	Alumni	College Counseling	Total	Fundraising and Development	Management and General	Total
Salaries and employee benefits	\$ 1,816,507	\$ 331,773	\$ 177,929	\$ 188,511	\$ 2,514,720	\$ 861,983	\$ 884,443	\$ 4,261,146
Scholarships and student support	3,720,093	-	419,826	26,130	4,166,049	-	-	4,166,049
Event expenses	79,246	-	109,975	-	189,221	427,218	-	616,439
Occupancy	367,561	42,913	-	-	410,474	-	-	410,474
Travel and training	43,494	176,375	14,654	5,193	239,716	73,796	7,079	320,591
Professional fees	4,412	76,417	3,965	45,467	130,261	171,956	80,974	383,191
Equipment purchase and repair	31,463	140,628	-	-	172,091	-	-	172,091
Postage and printing	34,984	1,247	2,097	491	38,819	13,865	11,688	64,372
Depreciation	34,343	34,481	-	-	68,824	-	-	68,824
Communication	60,406	31,842	586	38	92,872	525	1,585	94,982
Other	14,080	473	203	-	14,756	30,971	23,851	69,578
Supplies and materials	49,316	2,705	395	481	52,897	2,359	14,975	70,231
Promotional materials	-	-	-	-	-	4,934	-	4,934
Insurance	-	-	-	-	-	-	27,630	27,630
	<u>\$ 6,255,905</u>	<u>\$ 838,854</u>	<u>\$ 729,630</u>	<u>\$ 266,311</u>	<u>\$ 8,090,700</u>	<u>\$ 1,587,607</u>	<u>\$ 1,052,225</u>	<u>\$ 10,730,532</u>

**SUMMER SEARCH**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30,

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash flows from operating activities:								
Change in net assets	\$ (536,556)	\$ 3,096,859	\$ -	\$ 2,560,303	\$ 42,746	\$ 7,671,719	\$ -	\$ 7,714,465
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Discount on promises to give	-	(1,060)	-	(1,060)	-	295,216	-	295,216
Bad debts	16,491	109,650	-	126,141	60,090	32,832	-	92,922
In-kind contribution of investments	-	-	-	-	(435,653)	(65,220)	-	(500,873)
In-kind contribution of property and equipment	(4,547)	-	-	(4,547)	-	-	-	-
Net realized and unrealized (gains) losses on investments	(65,545)	-	-	(65,545)	718,644	-	-	718,644
Depreciation	93,831	-	-	93,831	68,824	-	-	68,824
Decrease (increase) in assets:								
Other receivables	(3,573)	-	-	(3,573)	(939)	-	-	(939)
Prepaid expenses and other assets	(27,063)	-	-	(27,063)	(94,753)	-	-	(94,753)
Promises to give	119,733	(3,275,752)	-	(3,156,019)	377,790	(8,017,217)	-	(7,639,427)
Increase (decrease) in liabilities:								
Accounts payable and accrued expenses	(3,116)	-	-	(3,116)	(39,123)	-	-	(39,123)
Accrued vacation	46,728	-	-	46,728	34,062	-	-	34,062
Deferred rent	(20,843)	-	-	(20,843)	(25,206)	-	-	(25,206)
Net cash provided (used) by operating activities	(384,460)	(70,303)	-	(454,763)	706,482	(82,670)	-	623,812
Cash flows from investing activities:								
Purchase of investments	(88,724)	-	-	(88,724)	(372,040)	-	-	(372,040)
Proceeds from the sale or maturity of investments	315	65,220	-	65,535	709,131	-	-	709,131
Purchase of property and equipment	(226,779)	-	-	(226,779)	(74,596)	-	-	(74,596)
Net cash provided (used) by investing activities	(315,188)	65,220	-	(249,968)	262,495	-	-	262,495
Cash flows from financing activities:								
Principal payments on capital lease obligations	-	-	-	-	(17,597)	-	-	(17,597)
Net cash used by financing activities	-	-	-	-	(17,597)	-	-	(17,597)
Net increase (decrease) in cash and cash equivalents	(699,648)	(5,083)	-	(704,731)	951,380	(82,670)	-	868,710
Cash and cash equivalents:								
Beginning of year	2,063,510	68,730	60,000	2,192,240	1,112,130	151,400	60,000	1,323,530
End of year	\$ 1,363,862	\$ 63,647	\$ 60,000	\$ 1,487,509	\$ 2,063,510	\$ 68,730	\$ 60,000	\$ 2,192,240

See notes to financial statements.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**

September 30, 2009 and 2008

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose and Organization**

SUMMER SEARCH (the Organization) is a not-for-profit organization whose mission is to find resilient low-income high school students and inspire them to become responsible and altruistic leaders by providing year-round mentoring, life-changing summer experiences, college advising, and a lasting support network.

The Organization 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 Summer Search program consists of four key elements:

**Summer Experiential Education Programs** – each student receives a full scholarship to participate in two summer trips designed to broaden their world, open up the realm of possibility, and help them realize their potential. Typically student trips occur after sophomore and junior years, and range from wilderness experience, to study-away, or to community service in a developing country.

**Weekly Mentoring** – each student is assigned a mentor for weekly conversations, the most critical component of the Summer Search experience. The weekly meeting is crucial to the student's growth and development; through these meetings the students acquire insight into their own behavior and accountability for their actions. In addition to the weekly meeting, students are expected to participate in two Summer Search public events, speak about their experience to an adult audience, write a personal essay about their growth and share what they have learned with referral partners and donors, and help recruit new students to the program.

**Alumni Services** – once a Summer Search student, always a Summer Search student! Summer Search has established an array of alumni services to help their graduates be successful in the real world. These include networking events with other alumni and donors, and professional development services including career workshops, internships, and professional mentors.

**College Advisory Services** – applying to college can be an overwhelming process. At Summer Search, each student has access to college counseling services and workshops designed to help them with their college applications, from selection of schools to final enrollment. In addition, they provide financial aid counseling for all students.

**Basis of Accounting**

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

**Classification of Net Assets**

Accounting principles generally accepted in the United States of America require that the Organization report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. 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.

*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.

**Endowment Funds**

In August 2008, the Financial Accounting Standards Board issued Staff Position (FSP) Financial Accounting Standard (FAS) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FASB ASC 958). FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA). FASB ASC 958 also improves disclosures about an organization's endowed funds (both donor-restricted endowment funds and board-designated endowment funds). See Note 10 for related disclosures.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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**  
September 30, 2009 and 2008

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments**

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 approximate fair value as these receivables are discounted using a comparable risk-free rate.

**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.

**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 due beyond one accounting cycle are recorded at the present value of the contribution, determined using the risk-free interest rate applicable for the year in which the promises are received. The interest portion earned in future periods is recorded as contributions in the periods earned.

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**

Marketable investments in equity and debt securities are carried at fair value based upon quoted market prices.

The Organization's Investment Committee is responsible for establishing investment criteria and overseeing 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 or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 5 years. Leasehold improvements are stated at cost and are amortized using straight line over the estimated useful lives of the assets or the term of the lease, whichever is lower. 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 statements of activities.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Revenue Recognition**

**Contributions**

The Organization recognizes all contributions in the year of receipt, 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. 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 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.

Donated marketable securities are immediately sold and the cash proceeds recorded as revenues. Any event fees received in advance are recorded as temporarily restricted revenues until the event occurs.

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.

Donated services and materials included in the statement of activities for the year ended September 30, 2009 were \$1,534,534 (\$1,324,799 for the year ended September 30, 2008). Donated scholarships from summer program partners represent 92% (99% in 2008) of this amount. The remaining 8% (1% in 2008) consists of contributed supplies.

**Investment Income**

Realized and unrealized gains and losses and investment income (losses) derived from investment transactions are included as income in the year earned.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Certain costs have been allocated, principally on a direct cost basis, among the programs and support services benefited.

**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.

In accordance with FSP No. FIN 48-3 (FASB ASC 740-10-65), the Organization has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48) *Accounting for Income Taxes* (FASB ASC 740-10-50), until its fiscal year ending September 30, 2010. The Organization evaluates its tax provisions for any potential uncertain tax positions, and, if applicable, accrues for those positions identified which are not deemed more likely than not to be sustained if challenged.

**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 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. 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 support may have a resulting effect on the level and type of activities and program services offered.

Two donors comprise approximately 22% of all gross contributions at September 30, 2009. No similar concentration existed at September 30, 2008.

**Reclassifications**

Certain amounts for 2008 have been reclassified to conform to the 2009 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**2. FAIR VALUE MEASUREMENTS**

The Organization's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SFAS No. 157, *Fair Value Measurements* (FASB ASC 820). The hierarchy 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). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

*Level 1* – Values 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.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

*Mutual Funds:* Mutual funds are valued at the net asset value of shares held by the Organization at year end and are generally categorized in Level 1 of the fair value hierarchy.

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

**Financial assets measured at fair value on a recurring basis**

The following table provides information as of September 30, 2009 about the Organization's financial assets measured at fair value on a recurring basis:

	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)
	<u>                    </u>	<u>                    </u>
Assets at fair value:		
Mutual funds (Board-designated for operating purposes)	\$ 2,755,878	\$ 2,755,878
	<u>                    </u>	<u>                    </u>
Total assets at fair value	<u>\$ 2,755,878</u>	<u>\$ 2,755,878</u>

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009 and 2008

**2. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table provides information as of September 30, 2008 about the Organization's financial assets measured at fair value on a recurring basis.

	September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)
	<u>                    </u>	<u>                    </u>
Assets at fair value:		
Mutual funds (Board-designated for operating purposes)	\$ 2,601,924	\$ 2,601,924
Common Stock	<u>65,220</u>	<u>65,220</u>
 Total assets at fair value	 <u>\$ 2,667,144</u>	 <u>\$ 2,667,144</u>

**3. PROMISES TO GIVE, NET**

Unconditional promises to give at September 30, 2009 consist of the following:

	Current	Due in 2 to 5 Years	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Unrestricted:			
Promises to give to local offices	\$ 78,664	\$ -	\$ 78,664
Allowance for doubtful accounts	<u>(90)</u>	<u>-</u>	<u>(90)</u>
	<u>78,574</u>	<u>-</u>	<u>78,574</u>
 Temporarily restricted:			
Annual Fund and other time restricted promises to give	1,197,363	1,729,226	2,926,589
Capital Campaign	2,670,308	5,671,072	8,341,380
Allowance for doubtful accounts	(40,325)	(77,157)	(117,482)
Discount to net present value	<u>-</u>	<u>(294,156)</u>	<u>(294,156)</u>
	<u>3,827,346</u>	<u>7,028,985</u>	<u>10,856,331</u>
	<u>\$ 3,905,920</u>	<u>\$ 7,028,985</u>	<u>\$ 10,934,905</u>

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**3. PROMISES TO GIVE, NET (CONTINUED)**

Promises to give due in two to five years are stated at their present values. Management has discounted these promises to give based on the two to five year U.S. Treasury yields, comparable risk-free rates. The two to five year rates ranged from 0.95% to 2.62% at September 30, 2009 (1.78% to 2.98% at September 30, 2008).

Four donors comprise approximately 64% of all gross promises to give at September 30, 2009.

Unconditional promises to give at September 30, 2008 consist of the following:

	<u>Current</u>	<u>Due in 2 to 5 Years</u>	<u>Total</u>
Unrestricted:			
Promises to give to local offices	\$ 247,738	\$ -	\$ 247,738
Signature events	27,150	-	27,150
Allowance for doubtful accounts	<u>(60,090)</u>	<u>-</u>	<u>(60,090)</u>
	<u>214,798</u>	<u>-</u>	<u>214,798</u>
Temporarily restricted:			
Annual Fund and other time restricted promises to give	859,800	613,200	1,473,000
Capital Campaign	947,517	5,596,700	6,544,217
Allowance for doubtful accounts	(7,684)	(25,148)	(32,832)
Discount to net present value	<u>-</u>	<u>(295,216)</u>	<u>(295,216)</u>
	<u>1,799,633</u>	<u>5,889,536</u>	<u>7,689,169</u>
	<u>\$ 2,014,431</u>	<u>\$ 5,889,536</u>	<u>\$ 7,903,967</u>

Three donors comprise approximately 51% of all gross promises at September 30, 2008.

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**4. INVESTMENTS**

Investments are held as follows at September 30:

	<u>2009</u>		<u>2008</u>	
Dodge & Cox mutual funds *	\$ 2,104,354	76 %	\$ 2,025,434	76 %
Osterweis Strategic Income Fund (bonds)	651,524	24	576,490	22
Shares of Bare Escentuals, Inc.	<u>-</u>	<u>-</u>	<u>65,220</u>	<u>2</u>
	<u>\$ 2,755,878</u>	<u>100 %</u>	<u>\$ 2,667,144</u>	<u>100 %</u>

\*For the years ended September 30, 2009 and 2008, the Dodge & Cox mutual funds consist of approximately \$1.7 million in the Dodge & Cox Balance Fund (63% stocks, 33% bonds and 4% cash) with the balance in the Dodge & Cox International Stock Fund (100% stocks).

The net investment gains (losses) for the years ended September 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Net realized and unrealized gains (losses) on investments	\$ 65,545	\$ (718,644)
Dividend and interest income	<u>86,707</u>	<u>123,336</u>
	<u>\$ 152,252</u>	<u>\$ (595,308)</u>

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at September 30:

	<u>2009</u>	<u>2008</u>
Computer equipment	\$ 190,634	\$ 267,380
Leasehold improvements	145,329	21,943
Software	144,169	103,977
Furniture, fixtures and equipment	<u>100,276</u>	<u>109,017</u>
	580,408	502,317
Less accumulated depreciation	<u>(323,291)</u>	<u>(382,695)</u>
	<u>\$ 257,117</u>	<u>\$ 119,622</u>

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**6. LINE OF CREDIT**

On August 31, 2009, the Organization entered into a \$600,000 revolving line of credit with Wells Fargo Bank for a term of twelve months, with interest payable at the greater of the prime rate plus 1.75%, or 5.00%. 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, 2009, there was no outstanding balance.

**7. UNRESTRICTED NET ASSETS**

Unrestricted net assets are as follows at September 30:

	2009	2008
Net investment in property and equipment	\$ 257,117	\$ 119,622
Board-designated for operation reserves	2,824,810	2,670,541
Undesignated	1,223,991	2,052,311
	\$ 4,305,918	\$ 4,842,474

In 2006, Summer Search – Boston received a conditional grant from the Richard and Susan Smith Family Foundation in the amount of \$701,721. Through September 30, 2009, the Organization has recognized \$601,490 in income: \$142,490 and \$164,000 for the years ended September 30, 2009 and 2008, respectively.

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30 may be expended for:

	2009	2008
Time restricted	\$ 10,874,830	\$ 7,769,394
Signature Event	45,148	53,725
	\$ 10,919,978	\$ 7,823,119

**9. 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 at September 30, 2009 and 2008, consist of \$60,000 restricted for scholarships.

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**10. ENDOWMENT**

The Organization's endowment consists of one individual donor-restricted fund established for the purpose of funding college scholarships. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted California's enacted version of 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 throughout the year.

**11. NET ASSETS RELEASED FROM RESTRICTIONS**

Temporarily restricted net assets were released during the years ended September 30, 2009 and 2008 primarily due to the passage of time.

**12. RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2009, 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 \$4,029,612 (\$6,947,879 in 2008).

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**12. RELATED PARTY TRANSACTIONS (CONTINUED)**

The Organization also received a conditional promise to give of \$1,000,000 from a Board member during the year ended September 30, 2008. The promise to give is conditioned upon reaching a certain fundraising threshold which had not been met through September 30, 2009.

During the year ended September 30, 2009, the Organization paid scholarship costs of \$457,026 (\$486,495 in 2008) to Outward Bound, an organization whose Chief Executive Officer is on the Organization's Board of Directors.

Investment managers Dodge & Cox and Osterweis Capital Management each employ a Board of Director of the Organization. The management fees paid to the investment managers are not material to the financial statements. The Board Directors do not actively participate in managing the Organization's investments.

**13. RETIREMENT PLAN**

The Organization sponsors a defined contribution retirement plan. The plan covers all employees who are at least 21 years of age and who have completed one year of service. The Organization matches dollar-for-dollar employee contributions to the plan, subject to a maximum of \$2,000 per year. Participants are vested at 33.33% upon completion of one year of vesting service in the plan, 66.67% upon completion of two years of services, and 100% vested at the end of three years of service. During the year ended September 30, 2009, the Organization contributed \$74,631 to the plan (\$59,425 in 2008).

**14. COMMITMENTS**

The Organization leases its office facilities under monthly and annual operating leases expiring through 2016. 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 for the years ending September 30, are as follows:

2010	\$ 550,619
2011	572,658
2012	537,427
2013	489,926
2014	367,721
Thereafter	<u>526,560</u>
	<u>\$ 3,044,911</u>

Rent expense for the year ended September 30, 2009 was \$448,261 (\$369,825 for 2008).

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**15. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

For the years ended September 30, 2009 and 2008, the Organization paid interest of \$0 and \$848, respectively.

**16. SUBSEQUENT EVENTS**

The Organization has evaluated all subsequent events through January 22, 2010, the date the financial statements were available to be issued.