



**Summer Search**  
where change begins

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

**Years Ended September 30, 2010 and 2009**

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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, 2010 and 2009, 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, 2010 and 2009, 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 18, 2011

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

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>								
Cash and cash equivalents, including \$112,403 (\$68,932 in 2009) board-designated for operating reserves	\$ 362,444	\$ 279,243	\$ 60,000	\$ 701,687	\$ 1,363,862	\$ 63,647	\$ 60,000	\$ 1,487,509
Other receivables	2,998	-	-	2,998	14,356	-	-	14,356
Prepaid expenses and other assets	242,218	-	-	242,218	253,862	-	-	253,862
Promises to give, net	85,565	8,074,087	-	8,159,652	78,574	10,856,331	-	10,934,905
Investments	2,994,980	-	-	2,994,980	2,755,878	-	-	2,755,878
Property and equipment, net	226,838	-	-	226,838	257,117	-	-	257,117
Total assets	<u>\$ 3,915,043</u>	<u>\$ 8,353,330</u>	<u>\$ 60,000</u>	<u>\$ 12,328,373</u>	<u>\$ 4,723,649</u>	<u>\$ 10,919,978</u>	<u>\$ 60,000</u>	<u>\$ 15,703,627</u>
<b>LIABILITIES AND NET ASSETS</b>								
Liabilities:								
Accounts payable and accrued expenses	\$ 374,923	\$ -	\$ -	\$ 374,923	\$ 192,598	\$ -	\$ -	\$ 192,598
Accrued vacation	250,800	-	-	250,800	203,755	-	-	203,755
Deferred rent	64,500	-	-	64,500	21,378	-	-	21,378
Total liabilities	690,223	-	-	690,223	417,731	-	-	417,731
Commitments								
Net assets	<u>3,224,820</u>	<u>8,353,330</u>	<u>60,000</u>	<u>11,638,150</u>	<u>4,305,918</u>	<u>10,919,978</u>	<u>60,000</u>	<u>15,285,896</u>
Total liabilities and net assets	<u>\$ 3,915,043</u>	<u>\$ 8,353,330</u>	<u>\$ 60,000</u>	<u>\$ 12,328,373</u>	<u>\$ 4,723,649</u>	<u>\$ 10,919,978</u>	<u>\$ 60,000</u>	<u>\$ 15,703,627</u>

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

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains (losses), and other support:								
Contributions	\$ 3,928,289	\$ 2,095,164	\$ -	\$ 6,023,453	\$ 4,080,760	\$ 7,370,625	\$ -	\$ 11,451,385
Fundraising, net of expenses of \$685,188 (\$614,761 in 2009)	1,649,681	333,025	-	1,982,706	1,436,766	43,000	-	\$ 1,479,766
Contributed goods and services	1,449,020	-	-	1,449,020	1,534,534	-	-	1,534,534
Investment income, net	244,844	-	-	244,844	152,252	-	-	152,252
Other income	7,489	-	-	7,489	124,789	-	-	124,789
Bad debt losses	(50,028)	-	-	(50,028)	(16,491)	(109,650)	-	(126,141)
Net assets released from restrictions	4,994,837	(4,994,837)	-	-	4,207,116	(4,207,116)	-	-
<b>Total revenue, gains (losses), and other support</b>	<b>12,224,132</b>	<b>(2,566,648)</b>	<b>-</b>	<b>9,657,484</b>	<b>11,519,726</b>	<b>3,096,859</b>	<b>-</b>	<b>14,616,585</b>
Expenses:								
Program services:								
Summer placement and mentoring	8,343,167	-	-	8,343,167	7,369,895	-	-	7,369,895
Staff training and development	946,741	-	-	946,741	942,687	-	-	942,687
Alumni	359,239	-	-	359,239	297,100	-	-	297,100
College counseling	583,915	-	-	583,915	584,553	-	-	584,553
<b>Total program services</b>	<b>10,233,062</b>	<b>-</b>	<b>-</b>	<b>10,233,062</b>	<b>9,194,235</b>	<b>-</b>	<b>-</b>	<b>9,194,235</b>
Supporting services:								
Fundraising and development	1,661,878	-	-	1,661,878	1,627,256	-	-	1,627,256
Management and general	1,410,290	-	-	1,410,290	1,234,791	-	-	1,234,791
<b>Total expenses</b>	<b>13,305,230</b>	<b>-</b>	<b>-</b>	<b>13,305,230</b>	<b>12,056,282</b>	<b>-</b>	<b>-</b>	<b>12,056,282</b>
Change in net assets	(1,081,098)	(2,566,648)	-	(3,647,746)	(536,556)	3,096,859	-	2,560,303
Net assets:								
Beginning of year	4,305,918	10,919,978	60,000	15,285,896	4,842,474	7,823,119	60,000	12,725,593
End of year	<u>\$ 3,224,820</u>	<u>\$ 8,353,330</u>	<u>\$ 60,000</u>	<u>\$ 11,638,150</u>	<u>\$ 4,305,918</u>	<u>\$ 10,919,978</u>	<u>\$ 60,000</u>	<u>\$ 15,285,896</u>

See notes to financial statements.

**SUMMER SEARCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2010

	Program Services				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	\$ 2,873,844	\$ 491,722	\$ 196,857	\$ 245,555	\$ 3,807,978	\$ 1,365,509	\$ 1,174,952	\$ 6,348,439
Scholarships and student support	4,642,381	-	141,588	237,576	5,021,545	-	-	5,021,545
Occupancy	549,549	93,439	-	-	642,988	-	-	642,988
Professional fees	873	44,524	1,500	85,890	132,787	88,932	136,271	357,990
Travel and training	27,277	128,329	7,609	4,334	167,549	61,127	4,641	233,317
Equipment purchase and repair	78,123	111,866	-	-	189,989	-	626	190,615
Depreciation	61,815	53,329	-	-	115,144	-	-	115,144
Postage and printing	31,865	2,478	2,851	2,641	39,835	55,954	14,225	110,014
Communication	47,971	12,307	3,621	4,090	67,989	19,835	11,379	99,203
Supplies and materials	26,095	970	1,763	2,800	31,628	7,586	11,389	50,603
Insurance	-	6,073	-	-	6,073	-	22,219	28,292
Promotional materials	-	-	-	-	-	22,355	-	22,355
Other	3,374	1,704	3,450	1,029	9,557	40,580	34,588	84,725
	<u>\$ 8,343,167</u>	<u>\$ 946,741</u>	<u>\$ 359,239</u>	<u>\$ 583,915</u>	<u>\$ 10,233,062</u>	<u>\$ 1,661,878</u>	<u>\$ 1,410,290</u>	<u>\$ 13,305,230</u>

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

	Program Services				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
Occupancy	437,787	56,936	-	-	494,723	-	-	494,723
Professional fees	21,096	51,445	60	50,019	122,620	80,098	152,084	354,802
Travel and training	31,416	127,612	5,997	3,325	168,350	102,931	4,527	275,808
Equipment purchase and repair	63,436	107,320	-	-	170,756	-	-	170,756
Depreciation	51,516	42,315	-	-	93,831	-	-	93,831
Postage and printing	39,871	4,627	1,420	2,124	48,042	61,825	9,576	119,443
Communication	51,435	19,021	1,856	1,895	74,207	9,231	4,751	88,189
Supplies and materials	32,197	4,078	1,362	1,204	38,841	8,138	8,469	55,448
Insurance	-	-	-	-	-	-	25,040	25,040
Promotional materials	-	-	-	-	-	29,284	-	29,284
Other	4,282	2,972	500	605	8,359	31,818	15,346	55,523
	<u>\$ 7,369,895</u>	<u>\$ 942,687</u>	<u>\$ 297,100</u>	<u>\$ 584,553</u>	<u>\$ 9,194,235</u>	<u>\$ 1,627,256</u>	<u>\$ 1,234,791</u>	<u>\$ 12,056,282</u>

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

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Cash flows from operating activities:</b>								
Change in net assets	\$ (1,081,098)	\$ (2,566,648)	\$ -	\$ (3,647,746)	\$ (536,556)	\$ 3,096,859	\$ -	\$ 2,560,303
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Discount on promises to give	-	(145,753)	-	(145,753)	-	(1,060)	-	(1,060)
Bad debts	50,028	-	-	50,028	16,491	109,650	-	126,141
Contribution of investments	(35,221)	-	-	(35,221)	-	-	-	-
In-kind contribution of property and equipment	-	-	-	-	(4,547)	-	-	(4,547)
Net realized and unrealized gains on investments	(162,286)	-	-	(162,286)	(65,545)	-	-	(65,545)
Depreciation	115,144	-	-	115,144	93,831	-	-	93,831
(Increase) decrease in assets:								
Other receivables	11,358	-	-	11,358	(3,573)	-	-	(3,573)
Prepaid expenses and other assets	11,644	-	-	11,644	(27,063)	-	-	(27,063)
Promises to give	(21,798)	2,927,997	-	2,906,199	119,733	(3,275,752)	-	(3,156,019)
Increase (decrease) in liabilities:								
Accounts payable and accrued expenses	182,325	-	-	182,325	(3,116)	-	-	(3,116)
Accrued vacation	47,045	-	-	47,045	46,728	-	-	46,728
Deferred rent	43,122	-	-	43,122	(20,843)	-	-	(20,843)
<b>Net cash provided (used) by operating activities</b>	<b>(839,737)</b>	<b>215,596</b>	<b>-</b>	<b>(624,141)</b>	<b>(384,460)</b>	<b>(70,303)</b>	<b>-</b>	<b>(454,763)</b>
<b>Cash flows from investing activities:</b>								
Purchase of investments	(81,107)	-	-	(81,107)	(88,724)	-	-	(88,724)
Proceeds from the sale or maturity of investments	4,291	-	-	4,291	315	65,220	-	65,535
Purchase of property and equipment	(84,865)	-	-	(84,865)	(226,779)	-	-	(226,779)
<b>Net cash provided (used) by investing activities</b>	<b>(161,681)</b>	<b>-</b>	<b>-</b>	<b>(161,681)</b>	<b>(315,188)</b>	<b>65,220</b>	<b>-</b>	<b>(249,968)</b>
<b>Cash flows from financing activities:</b>								
Proceeds from line of credit	600,000	-	-	600,000	-	-	-	-
Payments on line of credit	(600,000)	-	-	(600,000)	-	-	-	-
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,001,418)</b>	<b>215,596</b>	<b>-</b>	<b>(785,822)</b>	<b>(699,648)</b>	<b>(5,083)</b>	<b>-</b>	<b>(704,731)</b>
<b>Cash and cash equivalents:</b>								
Beginning of year	1,363,862	63,647	60,000	1,487,509	2,063,510	68,730	60,000	2,192,240
End of year	\$ 362,444	\$ 279,243	\$ 60,000	\$ 701,687	\$ 1,363,862	\$ 63,647	\$ 60,000	\$ 1,487,509

See notes to financial statements.

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

September 30, 2010 and 2009

**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, 2010 and 2009

**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.

**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.

**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.

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

September 30, 2010 and 2009

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

**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 using discount rates established in 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.

**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 leases.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010 and 2009

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

**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 statements of activities. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

**Contributed Goods and Services**

Contributed material and equipment are recorded as contributions at their estimated value on the date of receipt. Such contributions are reported as unrestricted support unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those contributed assets must be maintained, the Organization reports expirations of donor restrictions when the contributed 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 immediately sold and the cash proceeds recorded as revenues.

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 contributed.

Contributed goods and services included in the statements of activities for the year ended September 30, 2010 were \$1,449,020 (\$1,534,534 for the year ended September 30, 2009). Contributed scholarships from summer program partners represent 99% (92% in 2009) of this amount. The remaining 1% (8% in 2009) 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, 2010 and 2009

**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 and functional expenses. 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.

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from tax positions taken in income tax returns.

If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. This standard also requires the organizations to disclose additional quantitative and qualitative information in their financial statements about uncertain tax positions. The Organization's adoption of this standard did not have a material impact on the financial statements.

The Organization's evaluation on September 30, 2010 revealed no tax positions that would have a material impact on the financial statements. The 2006 through 2009 tax years remain subject to examination by the Internal Revenue Service. In addition, the tax years 2005 through 2009 remain subject to examination by the California Franchise Tax Board. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**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.

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010 and 2009

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

**Concentrations of Risk (Continued)**

**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.

No concentration existed at September 30, 2010. Two donors comprised approximately 22% of all gross contributions at September 30, 2009.

**Reclassifications**

Certain amounts for 2009 have been reclassified to conform to the 2010 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

**Recent Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (the Codification). The Codification replaces all previously issued accounting standards, is the single source of all authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, and is effective for all interim and annual periods ending after September 15, 2009. The adoption of this pronouncement only impacts references for accounting guidance and has no effect on the Organization's financial condition, results of operations or cash flows.

In 2010, the FASB issued additional disclosure requirements for fair value measurements. Under this guidance, the fair value hierarchy disclosures are to be further desegregated by classes (subsets of the line items in the financial statements) and additional disclosures made about transfers between Levels 1 and 2. These disclosures are effective for fiscal year 2011. Additional disclosures about Level 3 measurements will be required for fiscal year 2012. The impact of this guidance will be additional disclosures in the financial statements.

**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 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). 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).

**SUMMER SEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. FAIR VALUE MEASUREMENTS (CONTINUED)**

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:* Valued at the net asset value of shares held by the Organization at year end and are categorized in Level 1 of the fair value hierarchy.

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

The Organization's financial assets measured at fair value on a recurring basis at September 30, 2010 and 2009 are classified within Level 1 of the fair value hierarchy.

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**3. PROMISES TO GIVE, NET**

Unconditional promises to give at September 30, 2010 consist of the following:

	<u>Due in Less Than 1 Year</u>	<u>Due in 1 to 5 Years</u>	<u>Total</u>
Unrestricted:			
Promises to give to local offices	\$ 114,405	\$ -	\$ 114,405
Allowance for doubtful accounts	(28,840)	-	(28,840)
	<u>85,565</u>	<u>-</u>	<u>85,565</u>
Temporarily restricted:			
Annual Fund and other time restricted promises to give	962,238	1,255,675	2,217,913
Expand the Dream Campaign	2,622,363	3,499,572	6,121,935
Allowance for doubtful accounts	(50,442)	(66,915)	(117,357)
Discount to net present value	-	(148,404)	(148,404)
	<u>3,534,159</u>	<u>4,539,928</u>	<u>8,074,087</u>
	<u>\$ 3,619,724</u>	<u>\$ 4,539,928</u>	<u>\$ 8,159,652</u>

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

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

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
Unrestricted:			
Promises to give to local offices	\$ 78,664	\$ -	\$ 78,664
Allowance for doubtful accounts	(90)	-	(90)
	78,574	-	78,574
Temporarily restricted:			
Annual Fund and other time restricted promises to give	1,197,363	1,729,226	2,926,589
Expand the Dream 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	-	(294,156)	(294,156)
	3,827,346	7,028,985	10,856,331
	\$ 3,905,920	\$ 7,028,985	\$ 10,934,905

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

Promises to give due in one to five years are stated at their present values. Management has discounted these promises to give at rates ranging from 0.95% to 2.31% at September 30, 2010 (0.95% to 2.62% at September 30, 2009).

In 2006, Summer Search – Boston received a conditional grant from the Richard and Susan Smith Family Foundation in the amount of \$701,721. At September 30, 2010, the Organization had recognized the full amount in income: \$100,231 and \$142,490 for the years ended September 30, 2010 and 2009, respectively.

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**4. INVESTMENTS**

Investments are held as follows at September 30:

	<u>2010</u>	<u>2009</u>
Mutual funds	\$ 2,959,759	\$ 2,755,878
Common stock	35,221	-
	<u>\$ 2,994,980</u>	<u>\$ 2,755,878</u>

The net investment income for the years ended September 30 consists of the following:

	<u>2010</u>	<u>2009</u>
Net realized and unrealized gains on investments	\$ 162,286	\$ 65,545
Dividend and interest income	82,558	86,707
	<u>\$ 244,844</u>	<u>\$ 152,252</u>

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at September 30:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 214,878	\$ 190,634
Software	150,039	144,169
Leasehold improvements	145,329	145,329
Furniture, fixtures and equipment	128,276	100,276
	638,522	580,408
Less accumulated depreciation	<u>(411,684)</u>	<u>(323,291)</u>
	<u>\$ 226,838</u>	<u>\$ 257,117</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%. On August 31, 2010, the Organization renewed this line of credit for an additional term of twelve months. 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, 2010 and 2009, there was no outstanding balance.

**7. UNRESTRICTED NET ASSETS**

Unrestricted net assets are as follows at September 30:

	<u>2010</u>	<u>2009</u>
Net investment in property and equipment	\$ 226,838	\$ 257,117
Board-designated for operation reserves	3,072,162	2,824,810
Undesignated	<u>(74,180)</u>	<u>1,223,991</u>
	<u>\$ 3,224,820</u>	<u>\$ 4,305,918</u>

**8. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2010</u>	<u>2009</u>
Time restricted	\$ 8,306,119	\$ 10,874,830
Signature Event	<u>47,211</u>	<u>45,148</u>
	<u>\$ 8,353,330</u>	<u>\$ 10,919,978</u>

**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, 2010 and 2009, consist of \$60,000 to generate income restricted for scholarships.

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**10. ENDOWMENT**

The Organization's endowment consists of one individual donor-restricted fund (Note 9) 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 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 throughout the year.

**11. NET ASSETS RELEASED FROM RESTRICTIONS**

Temporarily restricted net assets were released during the years ended September 30, 2010 and 2009 primarily due to the passage of time.

**12. RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2010, 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 \$1,054,927 (\$4,029,612 in 2009).

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 as of September 30, 2010.

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

During the year ended September 30, 2010, the Organization paid scholarship costs of \$539,896 (\$457,026 in 2009) 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 service, and 100% vested at the end of three years of service. During the year ended September 30, 2010, the Organization contributed \$104,238 to the plan (\$74,631 in 2009).

**14. COMMITMENTS**

The Organization leases its office facilities under monthly and annual operating leases expiring through 2017. 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:

2011	\$ 607,720
2012	585,501
2013	539,165
2014	418,127
2015	367,431
Thereafter	<u>331,041</u>
	<u>\$ 2,848,985</u>

Rent expense for the year ended September 30, 2010 was \$593,199 (\$448,261 for 2009).

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

For the year ended September 30, 2010, the Organization paid interest of \$2,892.

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**16. SUBSEQUENT EVENTS**

The Organization has evaluated all subsequent events through January 18, 2011, the date the financial statements were available to be issued.