SUMMER SEARCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

SUMMER SEARCH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Summer Search

Report on the Financial Statements

We have audited the accompanying financial statements of Summer Search (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MARCUMGROUP MEMBER

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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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Summer Search's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
March 4, 2019

SUMMER SEARCH

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Assets					
Cash and cash equivalents	$ 2,044,998	$ 1,344,973	$ 187,703	$ 3,577,674	$ 4,062,096
Other receivables	160,604	--	--	160,604	100,736
Prepaid expenses and other assets	778,319	267,609	--	1,045,928	736,032
Promises to give, net	1,812,542	2,408,852	--	4,221,394	4,416,582
Investments	2,924,491	--	--	2,924,491	4,083,861
Property and equipment, net	360,346	--	--	360,346	409,772
Total Assets	$ 8,081,300	$ 4,021,434	$ 187,703	$ 12,290,437	$ 13,809,079
Liabilities and Net Assets					
Liabilities					
Line of credit	$ --	$ --	$ --	$ --	$ 500,000
Accounts payable and accrued expenses	412,250	--	--	412,250	768,578
Accrued salaries	915,996	--	--	915,996	781,674
Deferred rent	182,803	--	--	182,803	190,153
Total Liabilities	1,511,049	--	--	1,511,049	2,240,405
Net Assets	6,570,251	4,021,434	187,703	10,779,388	11,568,674
Total Liabilities and Net Assets	$ 8,081,300	$ 4,021,434	$ 187,703	$ 12,290,437	$ 13,809,079

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, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Revenue, Gains, and Other Support					
Contributions	$ 9,550,581	$ 3,647,561	$ --	$ 13,198,142	$ 13,014,944
Special events	5,586,200	41,290	--	5,627,490	5,805,072
Contributed goods and services	1,831,356	267,609	--	2,098,965	1,725,375
Investment income (net of investment fees of $27,459)	208,372	36	--	208,408	626,274
Other income	159	--	--	159	208
Net assets released from restrictions	4,439,529	(4,439,529)	--	--	--
Total Revenue, Gains, and Other Support	21,616,197	(483,033)	--	21,133,164	21,171,873

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

SUMMER SEARCH

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Expenses and Losses					
Program Services					
Summer placement and mentoring	$ 10,494,142	$ --	$ --	$ 10,494,142	$ 10,529,659
Staff training and development	2,342,046	--	--	2,342,046	2,170,546
College Success	926,073	--	--	926,073	708,567
College Access	602,404	--	--	602,404	483,099
Alumni	206,054	--	--	206,054	315,043
Total Program Services	14,570,719	--	--	14,570,719	14,206,914
Supporting Services					
Fundraising and development	4,812,147	--	--	4,812,147	5,061,567
Management and general	2,539,584	--	--	2,539,584	2,724,153
Total Expenses and Losses	21,922,450	--	--	21,922,450	21,992,634
Change in Net Assets	(306,253)	(483,033)	--	(789,286)	(820,761)
Net Assets - Beginning	6,876,504	4,504,467	187,703	11,568,674	12,389,435
Net Assets - Ending	$ 6,570,251	$ 4,021,434	$ 187,703	$ 10,779,388	$ 11,568,674

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

SUMMER SEARCH

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDING SEPTEMBER 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Program Services						Supporting Services			
	Summer Placement and Mentoring	Staff Training and Development	College Success	College Access	Alumni	Total	Fundraising and Development	Management and General	2018	2017
	$ 4,620,874	$ 1,650,435	$ 730,702	$ 453,650	$ 148,312	$ 7,603,973	$ 3,291,478	$ 1,654,553	$ 12,550,004	$ 12,238,263
Scholarships and student support	4,485,457	3,712	163,890	88,273	35,354	4,776,686	--	--	4,776,686	5,015,014
Occupancy	990,539	120,798	--	--	--	1,111,337	126,523	173,253	1,411,113	1,341,328
Direct benefit to donors	--	--	--	--	--	--	955,646	--	955,646	1,007,381
Professional fees	14,285	243,876	750	35,870	--	294,781	66,149	234,641	595,571	605,469
Travel and training	22,594	121,386	5,582	7,297	12,743	169,602	62,613	73,005	305,220	306,103
Equipment purchase and repair	60,323	87,081	21	20	5	147,450	41,723	83,601	272,774	217,866
Communication	90,396	43,805	11,268	7,657	3,303	156,429	43,294	33,341	233,064	188,253
Depreciation	122,467	14,308	--	--	--	136,775	14,987	20,522	172,284	169,823
Bad debt expense	--	--	--	--	--	--	--	165,000	165,000	440,200
Postage and printing	20,533	6,233	3,524	1,668	809	32,767	80,530	14,508	127,805	122,999
Finance and bank charges	--	--	--	--	--	--	73,844	31,269	105,113	114,652
Supplies and materials	17,018	13,307	1,641	1,007	528	33,501	37,536	12,057	83,094	76,470
Program event expenses	48,082	1,684	3,994	5,990	4,518	64,268	--	30	64,298	63,356
Insurance	--	3,500	--	--	--	3,500	--	39,245	42,745	38,005
Other	1,574	31,921	4,701	972	482	39,650	17,824	32,018	89,492	77,608
	10,494,142	2,342,046	926,073	602,404	206,054	14,570,719	4,812,147	2,567,043	21,949,909	22,022,790
Less: expenses included with revenues on the statement of activities and changes in net assets	--	--	--	--	--	--	--	(27,459)	(27,459)	(30,156)
	$ 10,494,142	$ 2,342,046	$ 926,073	$ 602,404	$ 206,054	$ 14,570,719	$ 4,812,147	$ 2,539,584	$ 21,922,450	$ 21,992,634

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

SUMMER SEARCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Cash Flows From Operating Activities					
Change in net assets	$ (306,253)	$ (483,033)	$ --	$ (789,286)	$ (820,761)
Adjustments to reconcile change in net assets to net cash used in operating activities:					
Change in allowance for doubtful promises to give	165,000	--	--	165,000	440,200
Donated stock	(1,030,591)	--	--	(1,030,591)	(263,847)
Contributed goods	(5,000)	(267,609)		(272,609)	--
Net realized and unrealized gains on investments	(42,683)	--	--	(42,683)	(401,874)
Depreciation	172,284	--	--	172,284	169,823
(Gain) loss on disposal of property and equipment	(226)	--	--	(226)	322
Changes in operating assets and liabilities:					
Other receivables	(59,868)	--	--	(59,868)	(91,591)
Prepaid expenses and other assets	(42,287)	--	--	(42,287)	(17,866)
Promises to give	(624,544)	654,732	--	30,188	(51,396)
Accounts payable and accrued expenses	(356,328)	--	--	(356,328)	241,726
Accrued salaries	134,322	--	--	134,322	426,684
Deferred rent	(7,350)	--	--	(7,350)	(9,061)
Net Cash Used in Operating Activities	(2,003,524)	(95,910)	--	(2,099,434)	(377,641)

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

SUMMER SEARCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Cash Flows From Investing Activities					
Purchase of investments	$ (650,733)	$ --	$ --	$ (650,733)	$ (692,261)
Proceeds from the sale or maturity of investments	2,883,377	--	--	2,883,377	1,712,475
Purchase of property and equipment	(117,632)	--	--	(117,632)	(133,268)
Net Cash Provided by Investing Activities	2,115,012	--	--	2,115,012	886,946
Cash Flows From Financing Activities					
Line of credit draws	--	--	--	--	700,000
Line of credit repayments	(500,000)	--	--	(500,000)	(200,000)
Net Cash (Used In) Provided by Financing Activities	(500,000)	--	--	(500,000)	500,000
Net (Decrease) Increase in Cash and Cash Equivalents	(388,512)	(95,910)	--	(484,422)	1,009,305
Cash and Cash Equivalents - Beginning	2,433,510	1,440,883	187,703	4,062,096	3,052,791
Cash and Cash Equivalents - Ending	$ 2,044,998	$ 1,344,973	$ 187,703	$ 3,577,674	$ 4,062,096

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Summer Search (the "Organization") is a not-for-profit organization with a comprehensive transformative program that gives students the inspiration, knowledge, and skills necessary to unlock their potential, achieve academic and professional success, and become positive leaders within their communities. The Organization's mission is to identify resilient, low-income high school students and inspire them to become responsible and altruistic leaders by providing a combination of year-round mentoring, life-changing summer experiences, college advising, and a lasting support network.

Linda Mornell, an adolescent counselor in private practice, founded the Organization in 1990 when she sent fourteen low-income students on summer experiential education programs. After seeing the difficulties students faced in reconciling their personal growth on their summer programs with the roadblocks and isolation of persistent poverty in their home communities, she began to redefine the Organization. Over the years, it has evolved into an innovative youth development program that works intensively with young people beginning in their sophomore year of high school and continuing through college. Founded in San Francisco, the Organization currently has operations in the following locations: San Francisco, Napa/Sonoma, San Jose, Boston, New York, Philadelphia, and Seattle.

The accounting, financial, and administrative functions are centralized in San Francisco.

The Organization has developed a unique combination, sequencing, and duration of services, which sets it apart from other youth development organizations. The Organization's programs include:

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

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

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

PURPOSE AND ORGANIZATION (CONTINUED)

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

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

BASIS OF ACCOUNTING

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

CLASSIFICATION OF NET ASSETS

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

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

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

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

CLASSIFICATION OF NET ASSETS (CONTINUED)

Permanently Restricted

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

ESTIMATES

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables and payables approximate fair value as these receivables and payables earn, or are charged, interest based on the prevailing rates.

CASH AND CASH EQUIVALENTS

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

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

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

PROMISES TO GIVE (CONTINUED)

The Organization uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

INVESTMENTS

Investments in marketable securities are stated at fair value based on quoted market prices. Realized and unrealized gains and losses and investment income derived from investment transactions are included as revenue in the year earned.

The Organization's Investment Committee is responsible for establishing investment criteria and overseeing all the Organization's investments.

PROPERTY AND EQUIPMENT

The Organization capitalizes acquisitions of property and equipment with a cost or value in excess of $1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from three to 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.

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

REVENUE RECOGNITION

Contributions

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

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

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

The Organization records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

Contributed goods and services included in the statement of activities and changes in net assets for the year ended September 30, 2018, were $2,098,965. Contributed scholarships from summer program partners represent 68% of this amount. The remaining 13% consists of contributed supplies and special event expenses.

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

INCOME TAXES

The Organization is a qualified organization exempt from federal and California income taxes under the provisions of §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of September 30, 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

CONCENTRATIONS OF RISK

Financial Instruments
Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, promises to give, and investments. The Organization monitors these items. The Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization attempts to limit its credit risk associated with investments by utilizing outside investment managers to place the Organization's investments with highly rated corporate and financial institutions. Management believes that the Organization is not exposed to any significant credit risk related to concentrations.

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

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing various program services and other activities has been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Certain costs have been allocated, principally on a direct cost basis, among the programs and support services benefited.

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

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of September 30, 2017, and for the year then ended, from which the summarized information was derived.

RECLASSIFICATIONS

Certain amounts in the summarized comparative totals for 2017 have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit ("NFP") financial reporting requirements as set out in FASB Accounting Standards Codification 958, *Not-for-Profit Entities*.

This standard:

- Eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).

- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.

- Requires NFP entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.

- Requires NFP entities to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

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

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- NFP entities will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed a NFP entity to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a NFP entity manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of a NFP entity's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

NFP entities are required to adopt this standard for periods beginning after December 15, 2017. Management is evaluating the impact of this new guidance.

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

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

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The amendments are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of this new guidance.

NOTE 2 - FAIR VALUE MEASUREMENTS

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

The levels of the fair value hierarchy are as follows:

Level 1
Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2
Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3
Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended September 30, 2018.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Mutual Funds, Exchange Traded Funds ("ETFs") and Common Stock
Valued at the closing price reported on the active market on which the individual securities are traded and generally categorized in Level 1 of the fair value hierarchy.

The following table provides information as of September 30, 2018, about the Organization's investments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	$ 1,338,968	$ --	$ --	$ 1,338,968
Bonds (U.S. fixed income)	979,907	--	--	979,907
International equity	442,597	--	--	442,597
ETFs and common stock:				
International equity	142,762	--	--	142,762
Domestic equity	20,257	--	--	20,257
Total	$ 2,924,491	$ --	$ --	$ 2,924,491

The Organization's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. The Organization had no transfers into or out of levels of the fair value hierarchy during the year ended September 30, 2018.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at September 30, 2018, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
Unrestricted:			
Promises to give	$ 1,892,468	$ --	$ 1,892,468
Allowance for doubtful accounts	(79,926)	--	(79,926)
	1,812,542	--	1,812,542
Temporarily restricted:			
Promises to give	1,869,097	711,032	2,580,129
Allowance for doubtful accounts	(83,582)	(31,796)	(115,378)
Discount to net present value	--	(55,899)	(55,899)
	1,785,515	623,337	2,408,852
Total	$ 3,598,057	$ 623,337	$ 4,221,394

Promises to give due in one to five years are stated at present values. Management has discounted these promises to give at rates ranging from 4.60% to 4.90%. Two donors comprise approximately 32% of gross promises to give at September 30, 2018.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2018:

Furniture, fixtures, and equipment	$ 430,867
Computer equipment	365,790
Leasehold improvements	257,099
Software	166,135
	1,219,891
Less: accumulated depreciation	(859,545)
Total	$ 360,346

NOTE 5 - LINE OF CREDIT

The Organization had a revolving line of credit for a maximum borrowing amount of $1,000,000 through June 1, 2018, that was not renewed. Interest was payable at the greater of the prime rate plus 0.50% or 4.50%.

In August 2018, the Organization entered into a revolving line of credit agreement with a different financial institution for a maximum borrowing amount of $1,000,000 through September 1, 2019. Interest is payable at the greater of 2.50% or the prime rate minus 0.40% per annum. At September 30, 2018, the prime rate was 5.25%. The agreement contains reporting requirements and the maintenance of certain financial covenants. As the Organization was out of compliance with two covenants at September 30, 2018, the financial institution waived these covenants; the Organization was in compliance with the remaining covenant at September 30, 2018.

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 in the normal course of business. There was no outstanding balance on the line at September 30, 2018, and the Organization did not draw on the line during the year then ended.

NOTE 6 - UNRESTRICTED NET ASSETS

Unrestricted net assets are as follows at September 30, 2018:

Net investment in property and equipment	$ 360,346
Undesignated	6,209,905
Total	$ 6,570,251

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2018, may be expended or are restricted for:

Inherent time restrictions:	
Mentor program	$ 1,229,501
Annual Fund:	
2018/2019	875,872
2019/2020	169,467
2020/2021	29,000
Signature Events	50,000
All others	55,012
	2,408,852
Cash and investments:	
Annual Fund:	
2018/2019	783,716
2019/2020	295,000
College Success	125,000
Mentor program	45,359
Scholarships	43,148
Signature Events	26,500
Salaries	26,250
	1,344,973
Professional clothing restricted for students	267,609
Total	$ 4,021,434

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include gifts with respect to which donors have stipulated as a condition in the gift instrument that the principal is to be held indefinitely. Permanently restricted net assets total $187,703 at September 30, 2018, and is intended to generate income restricted for scholarships.

NOTE 9 - ENDOWMENT

The Organization's endowment consists of two individual donor-restricted funds (Note 8) established for the purpose of funding college scholarships. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of the Organization and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the Organization.
(7) The investment policies of the Organization.

Due to the nature of the endowment and donor requirements, the endowment is invested in cash and cash equivalents.

NOTE 9 - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	$ --	$ 219	$ 187,703	$ 187,922
Investment income	--	36	--	36
Endowment Net Assets - Ending	$ --	$ 255	$ 187,703	$ 187,958

NOTE 10 - INVESTMENT INCOME

Investment income, net of investment fees, for the year ended September 30, 2018, consists of the following:

Net realized and unrealized gains on investments	$ 42,683
Dividend and interest income	165,725
Total	$ 208,408

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors during the year ended September 30, 2018, as follows:

Annual Fund	$ 1,938,956
Mentor program	1,440,166
Technology	170,000
Salaries	154,721
College Success	144,744
Innovation	140,428
Signature Events	134,600
College Access	107,110
Scholarships	88,688
Summer program	64,000
Alumni	56,116
Total	$ 4,439,529

NOTE 12 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2018, 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 $4,859,693.

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

NOTE 13 - RETIREMENT PLAN

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

NOTE 13 - RETIREMENT PLAN (CONTINUED)

During the year ended September 30, 2018, the Organization contributed $187,787 to the plan.

NOTE 14 - COMMITMENTS

The Organization leases its office facilities under monthly and annual operating leases expiring through September 2023. 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 are as follows:

For the Years Ending September 30,	Amount
2019	$ 1,287,059
2020	1,093,638
2021	729,233
2022	205,730
2023	92,635
Total	$ 3,408,295

Rent expense for the year ended September 30, 2018, was $1,197,497.

NOTE 15 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year ended September 30, 2018, was $5,229.

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through March 4, 2019, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.