

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

Summer Search

Nonprofit Investor Rating:

BUY

Mission Statement

The mission of Summer Search 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.

Financial Overview

\$ in MM, Fiscal Year Ended September 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$18.5	\$15.2	\$10.3
Operating Expenses	\$10.8	\$12.1	\$13.3
% of Total:			
Program Expenses	75.0%	76.3%	76.9%
G&A	10.3%	10.2%	10.6%
Fundraising	14.7%	13.5%	12.5%

Year Founded: 1990

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SUMMARY

Summer Search ("SS") works to provide low-income high school students with opportunities and support to develop confidence, character and skills to complete college and become leaders. Partnering with local high schools and established, well-known corporations, SS provides academic and social support resources from sophomore year of high school through second year of post-secondary education. An active, established alumni network provides ongoing resources after completion of the SS program.

STRENGTHS

- ▲ **20+ years of success** providing low-income, first-in-family-to-attend-college individuals with academic and social opportunities which otherwise would be unavailable. In 2010, served ~1,700 students, 91% of which were first generation college bound.
- ▲ **Robust partnerships with large, financially-stable corporations** provides real-world experiences and credibility to internship partners.
- ▲ **Focus on personal and professional development** through life-changing trips and internship programs to establish well-rounded, confident individuals.
- ▲ **Established and active alumni network** creates support network and resources beyond the Summer Search program.

CAUTIONS

- **Decrease in financial contributions from 2009 to 2010, previous contributions ear marked for multi-year deployment.** Organization is transparent around fundraising campaigns in 2008 and 2009 which drove high contributions, including those ear marked to be deployed over multiple years. However, drop in overall contributions from 2009 to 2010 (~34%) is something to watch going forward.
- **Transparency at regional level is limited.** Overall program transparency is excellent and adding regional level financials could result in new support resources.

RECOMMENDATION: BUY

Summer Search operates out of seven offices in six cities, offering ~1,700 students life-changing opportunities in 2010. Summer Search provides clear transparency to operations and financials, but a continued decrease in annual revenues could be a cause for alarm and further transparency at the regional level could open additional resources for local offices.

OVERVIEW OF SUMMER SEARCH'S ACTIVITIES

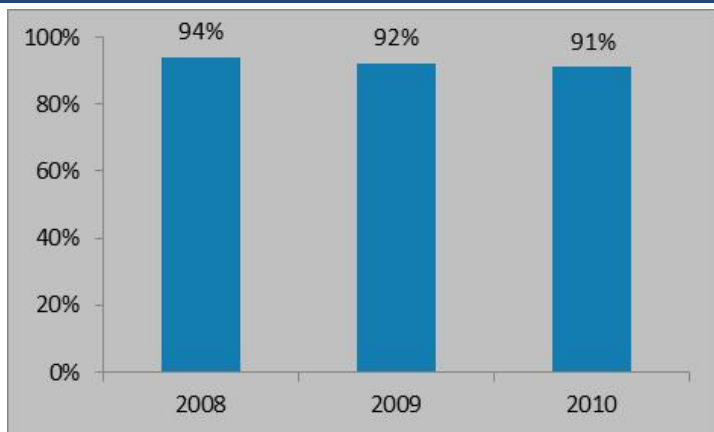
SS operates through seven offices out of six cities (Boston, New York City, San Francisco, Philadelphia, Seattle and Silicon Valley), serving almost 1,700 youth across the country in 2010. SS offers (i) year-round mentoring by full-time trained staff (ii) full scholarships to summer experiential education programs (iii) individualized college and financial aid advising; and (iv) resources for students in and after college. SS is designed to promote and develop the “RAP” qualities – reflection, altruism and performance – in each program participant.

Prospective SS students are nominated by Referral Partners, who are teachers, guidance counselors, principals or non-profit staff volunteers. Referral Partners are a key resource in identifying students who fit the SS criteria of low-income, at-risk, first-in-family-to-attend-college individuals who maintain a high level of motivation and ambition. Referral Partners are located at partnering high schools throughout the regions in which SS operates.

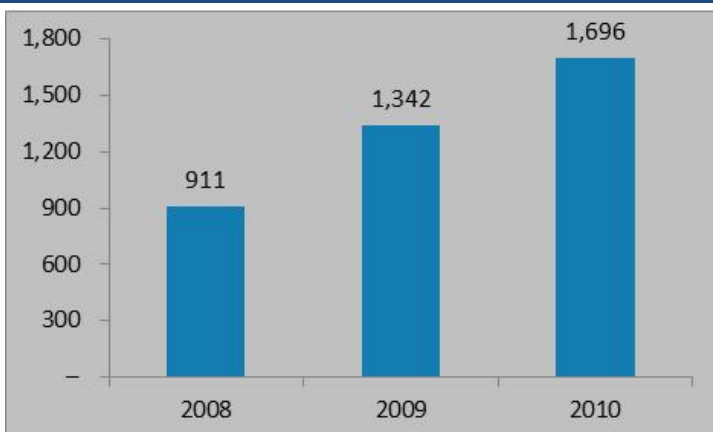
Once accepted into the SS program, students are provided academic and social support resources through their second year of post-secondary school.

- (i) **Year-round mentoring by full-time staff:** Mentoring is held weekly sophomore year through senior year of high school and several times a semester during the vulnerable first two years of college. It helps students build the skills to be successful in college, such as problem-solving, thinking critically, utilizing healthy outlets, and investing in school. Students also learn to reach out and cultivate relationships, increasing their capacity to be self-advocates.
- (ii) **Full scholarships to two private summer programs after sophomore and junior years of high school:** Sophomores go on a wilderness leadership expedition, and juniors participate in an academic program, community service trip, or family home-stay abroad. These experiences strengthen students' follow through, leadership, and ability to connect with higher-income peers, all of which readily carry over to college.
- (iii) **Practical college support:** including SAT preparation and college and financial aid advising in senior year of high school and throughout college. In addition to full-time college staff providing direct services, SS's work is supported by partnerships with colleges, college scholarship programs and other non-profits.
- (iv) **Focused early college support and then access to alumni association:** supports and resources for students in college and beyond are focused in four areas: academics and college persistence, career exploration including access to internships and professional skill building coaches and workshops, engagement on campus and in the community, and financial aid and money management.

% of Matriculating Seniors that are 1st Gen College-Bound



Number of Students Served



PROGRAM RESULTS AND EFFECTIVENESS

With over \$27million deployed towards mentoring and post-secondary education over the last three years, SS is one of the most active organizations targeting low-income, at-risk youth in the country. Since its founding in 1990, over 99% of SS students have graduated from high school compared to only 61% of their low-income peers. 93% have gone on to college compared to only 33% of their peers. Of that group, 89% have completed college or remain enrolled and are on track to do so, compared to only 21% of their peers.

In 2010 alone, SS provided mentoring, scholarships and advisory services to almost 1,700 students across the country, an 18% increase from 2009 and 86% increase from 2008. Of these students, 99% of high school seniors graduated, 95% of students matriculated to post-secondary school (92% to college) and 85% of the students enrolled in post-secondary school are on-track to graduate. In addition to the positive academic results, over 80% of the program's students engaged in their communities with 24 or more community service hours during 2010.

TRANSPARENCY

The programs of SS are determined by the National Board of Directors, developed and managed by the directors of the senior management, and guided by recommendations from seven advisory boards that oversee each of the program sites. Given this structure, transparency into the SS activities and successes is most available at the whole organization level. We do like the SS provides regional program results via the website, including high school graduation rates, college acceptances and summer program statistics. *To further increase transparency, we would like to see regional financial results to better understand capital deployment and areas of improvement for the organization.* [add one sentence describing where annual report, form 990 is available, and if annual reports have been audited]

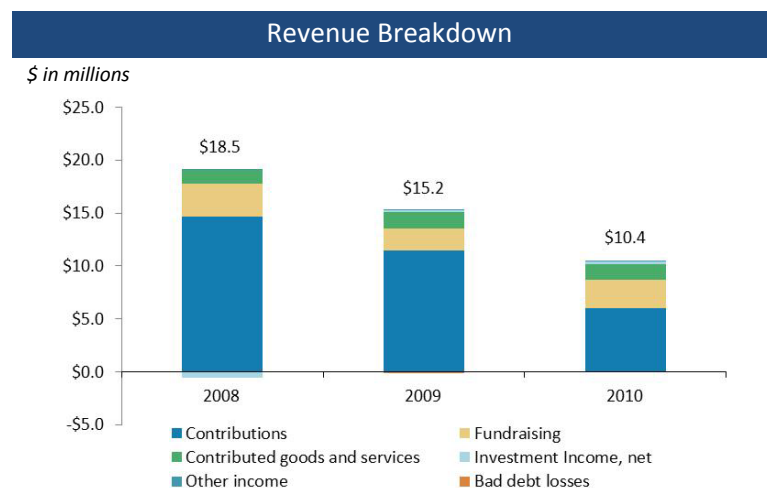
SS's annual reports, audited financial statements and IRS form 990 are available on the organization's website. (<http://www.summersearch.org/about/governance.aspx>)

FINANCIAL OVERVIEW

Revenues

SS generates a majority of its revenue from donations, with individuals and foundations making up approximately 80% of total donations in 2010. In 2008, SS launched the \$20 million Expand the Dream Campaign and, to date, has raised over \$16.7 million plus a \$1 million challenge grant once the campaign reaches \$19 million in donations. While campaign and fundraising efforts are no doubt seen as a positive, it may paint an inaccurate picture going forward when comparing fundraising efforts. As seen from 2008 to 2010, fundraising appears to drop off significantly. The Annual Report states that approximately \$5.6 million of the \$14.6 million raised in 2009 was committed in the form of multi-year gifts intended to fund program operations in future years.

While the headline fundraising numbers have generally been positive, we would like to have a clearer view on the timing of donations earmarked to be distributed over multiple years. Additionally, we'd like to have a near-and-midterm funding plan moving forward to maintain fundraising levels achieved in 2008 and 2009.



Expenses

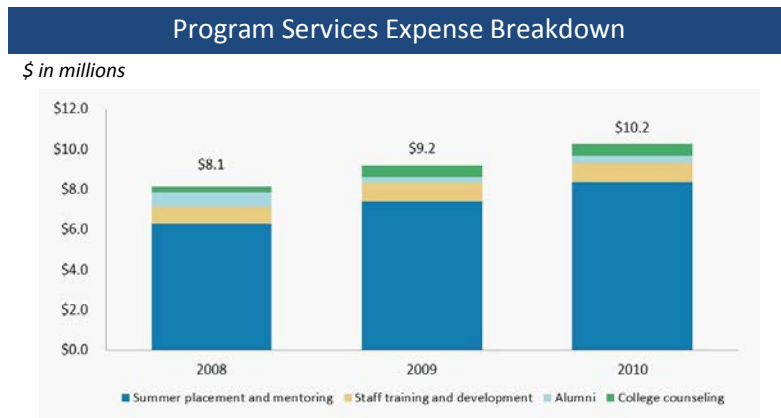
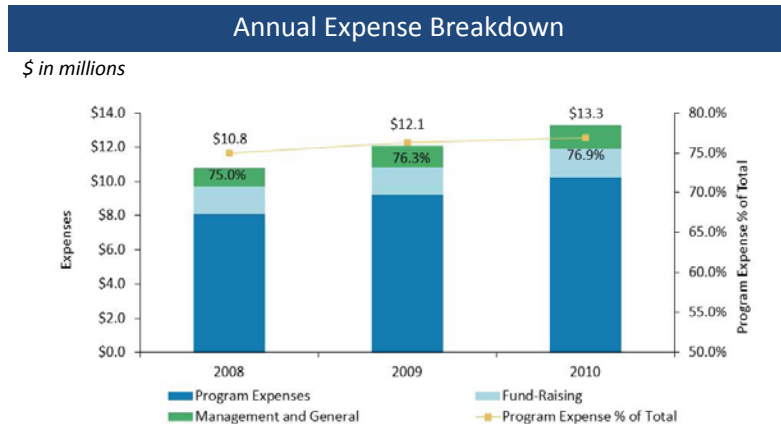
Approximately 75% of SS's total expenses are derived from Program Services. During 2009 and 2010, SS was able to increase that number closer to 77%, while reducing fundraising each year. While we see this as a positive, the reduction in fundraising as a percent of total expenses may be due to the influx of multi-year gifts during 2008 and 2009, lowering the need for fundraising efforts.

Digging into the Program Services numbers, there is an upward trend of spending on summer placement and mentoring. This is the core of the program, and seeing \$1 million-plus increases every year is a huge positive. However, because the growth in students served (~18%) is currently outpacing core spending (~13%), the per-student expenditure average is dropping. We will monitor this going forward to see how SS handles capital deployment towards mentoring, scholarships and internships.

Disciplined capital spending is a trademark of SS and will only become something to watch if the organization is unable to successfully raise capital at its current rate.

Overall

Big picture, all eyes will be on SS's fundraising ability and future cash position. Contributions are significantly down year-over-year and that drives the success of this program. After the multi-year gifts roll off we expect to see an uptick in fundraising expenses, but also expect Program Services to stay in the ~75% range of total outflows. The Board has put aside over \$3.0 million for an operating reserve, which gives us some comfort if fundraising remains at today's levels, but a \$3 million operating loss in 2010 is cause for concern. Expect to see a new fundraising campaign start-up in the near-term given the fundraising success over the last two years. Given the major markets in which SS operates (San Francisco, New York, Boston, etc.), continuously growing alumni network, and what seems like a new success story every day, we have few concerns over SS's ability to generate contributions.



Detailed Financial Information

Fiscal Year Ended September 30

	2008	2009	2010
Revenue and Expenses (GAAP Accounting Basis)			
Revenue			
Contributions	\$14,648,908	\$11,451,385	\$6,023,453
Fundraising	3,095,827	2,094,527	2,667,894
Contributed goods and services	1,324,799	1,534,534	1,449,020
Investment Income, net	(595,308)	152,252	244,844
Other income	30,861	124,789	7,489
Bad debt losses	-	(126,141)	(50,028)
Total Support and Revenues	\$18,505,087	\$15,231,346	\$10,342,672
% Growth		(17.7%)	(32.1%)
% Growth, Excluding Investment Performance		(21.1%)	(33.0%)
Expenses			
Program Services			
Summer placement and mentoring	\$6,255,905	\$7,369,895	\$8,343,167
Staff training and development	838,854	942,687	946,741
Alumni	729,630	297,100	359,239
College counseling	266,311	584,553	583,915
Supporting Services			
Fundraising and development	1,587,607	1,627,256	1,661,878
Management and general	1,112,315	1,234,791	1,410,290
Total Expenses:	\$10,790,622	\$12,056,282	\$13,305,230
% of Revenue, Excluding Investment Performance	56.5%	80.0%	131.8%
Revenue Less Expenses	\$7,714,465	\$3,175,064	(\$2,962,558)
Program Costs as a % of Total Expenses	75.0%	76.3%	76.9%
G&A as a % of Total Expenses	10.3%	10.2%	10.6%
Fundraising as a % of Total Expenses	14.7%	13.5%	12.5%

GET INVOLVED

- ❖ **Donate** – Financial contribution online, by mail or through a gift of stock to support the SS program and its participants (<https://www.summersearch.org/apps/donation/index.aspx>)
- ❖ **Join the SS Staff** – Join one of the seven offices in six cities across the United States to help youth in a specific region, or join the Support Center to help grow the SS organization as a whole (<https://www.summersearch.org/contact/jobs.aspx>)
- ❖ **Refer Students** – Become a referral partner to nominate students for the SS program. These roles are generally reserved for teachers, guidance counselors, principals or non-profit staff (<https://www.summersearch.org/help/refer.aspx>)
- ❖ **Volunteer** – Add to SS’s organization capacity by volunteering for one-time events focused on physical fitness, community service, or career exploration and networking, long-term career coaching with a participant in need of an internship, or team with a company or group to host students in a workplace (<https://www.summersearch.org/volunteer/>)
- ❖ **Attend Events** – Show your support for the SS program by attending events in your area (<http://www.summersearch.org/apps/events/index.aspx>)
- ❖ **Provide Internships** – Join over 60 organizations nationwide and hire a SS college student so your organization can “do well by doing good” (<http://www.summersearch.org/help/internships.aspx>)
 - *Gap, Inc. partnership overview found on pages 12- 13 of 2010 annual report* (<https://www.summersearch.org/AnnualReport2010.aspx>)

THIRD PARTY RATINGS

Charity Navigator rates the organization 4 out of 4 stars, receiving a perfect 70 out of 70 score for accountability and transparency. SS receives a 57.37 out of 70 for financial, largely given the organization’s -\$3.8 million deficit in FY 2010 driven by a 11.0% primary revenue growth but 24.0% program expenses growth. 27 reviews have been written on the Charity Navigator website, with an average rating of 4.9 out of 5 stars. SS has an official representative registered with Charity Navigator. (<http://www.charitynavigator.org/index.cfm?bay=search.summary&orgid=12669>)

GuideStar has awarded SS with the GuideStar Exchange Seal, demonstrating its commitment to transparency. This is awarded to organizations which provide extensive organizational and financial information. (<http://www.guidestar.org/organizations/68-0200138/summer-search.aspx>)

KEY PARTNERSHIPS AND DONORS

Key Partnerships

- | | |
|------------------------------|------------------------------|
| • Harvard Law School | • ACLU |
| • Children’s Hospital Boston | • Environmental Defense Fund |
| • KPMG | • Advent Software, Inc. |
| • JP Morgan Chase & Co. | • NBC Universal |

Key Donors and Supporters

- | | |
|--|--------------------------------------|
| • Bank of America Charitable Foundation | • National Outdoor Leadership School |
| • College Access Foundation for California | • Outward Bound |
| • Gap Foundation | • Goldman Sachs Gives |
| • Bill & Melinda Gates Foundation | • AT&T |

DISCLOSURES

J.B. Oldenburg certifies that he does not have any affiliation with Summer Search and has never made a donation to the organization. Additionally, J.B. has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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