

CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

PARTNERS

David J. Swan, CPA*†
David E. Blumenthal, CPA*†
Stephan H. Wasserman, CPA*†
Robert O. Watts, CPA†
Tracy Farryl Katz, ESQ., CPA†
Nazfar B. Afshar, CPA†
Marie Ambrosino
Gary L. Krausz, CPA†
Keith S. Dolabson, CPA
James M. Good, CPA†
Brian J. Gray, CPA

PRINCIPALS

Jerome D. Vermeulen, CPA

DIRECTORS

Stacey S. Summers, CPA

FOUNDERS

Donald L. Gursey, (1936-2007)
Stanley B. Schneider, CPA

☐

1888
Century Park East
Suite 900
Los Angeles
CA
90067-1735

310 552 0960 ph
310 557 3468 fx

☐

www.gursey.com

Independent Auditor's Report

To the Board of Directors
Fulfillment Fund
Los Angeles, California

We have audited the accompanying financial statements of Fulfillment Fund which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's 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 auditor's 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.

* Accredited in Business Valuation

† Certified in Financial Forensics

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fulfillment Fund as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

October 9, 2015
Los Angeles, California

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2015 and 2014

	<u>ASSETS</u>	
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,669,662	\$ 2,438,589
Unconditional promises to give, current portion, net	463,852	440,993
Prepaid expenses	96,723	95,524
Deposits and other assets	105,858	57,335
TOTAL CURRENT ASSETS	2,336,095	3,032,441
OTHER ASSETS		
Investments	3,551,885	3,399,633
Unconditional promises to give, net of current portion	548,387	617,128
Cash surrender value of life insurance policies	336,544	314,438
Property and equipment, net	208,623	310,235
Restricted cash (endowment assets)	166,744	166,725
TOTAL OTHER ASSETS	4,812,183	4,808,159
TOTAL ASSETS	\$ 7,148,278	\$ 7,840,600
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 624,685	\$ 546,231
Deferred revenue	66,145	61,080
Scholarships payable, current portion, net	44,944	246,725
TOTAL CURRENT LIABILITIES	735,774	854,036
SCHOLARSHIPS PAYABLE, NET OF CURRENT PORTION	-	27,083
TOTAL LIABILITIES	735,774	881,119
NET ASSETS		
Unrestricted	1,681,677	2,335,002
Unrestricted - board designated reserves	3,426,621	3,274,350
Temporarily restricted	1,012,198	1,058,121
Permanently restricted	292,008	292,008
TOTAL NET ASSETS	6,412,504	6,959,481
TOTAL LIABILITIES AND NET ASSETS	\$ 7,148,278	\$ 7,840,600

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions	\$ 1,064,416	\$ 1,554,635	\$ -	\$ 2,619,051
Special event income, net of \$529,380 of direct costs	1,108,656	177,030	-	1,285,686
In-kind contributions	29,303	-	-	29,303
Fees for management services	130,889	-	-	130,889
Investment and other income	56,388	-	-	56,388
Realized and unrealized gains and losses, net	117,760	-	-	117,760
Subtotal	2,507,412	1,731,665	-	4,239,077
Net assets released from restrictions	1,777,588	(1,777,588)	-	-
Total Revenues and Support	<u>4,285,000</u>	<u>(45,923)</u>	<u>-</u>	<u>4,239,077</u>
EXPENSES				
Program services	3,569,414	-	-	3,569,414
Administrative services	322,063	-	-	322,063
Development	894,577	-	-	894,577
Total Expenses	<u>4,786,054</u>	<u>-</u>	<u>-</u>	<u>4,786,054</u>
CHANGE IN NET ASSETS	(501,054)	(45,923)	-	(546,977)
NET ASSETS, Beginning of Year	<u>5,609,352</u>	<u>1,058,121</u>	<u>292,008</u>	<u>6,959,481</u>
NET ASSETS, End of Year	<u>\$ 5,108,298</u>	<u>\$ 1,012,198</u>	<u>\$ 292,008</u>	<u>\$ 6,412,504</u>

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 955,710	\$ 1,355,844	-	\$ 2,311,554
Special event income, net of \$532,645 of direct costs	1,382,558	230,643	-	1,613,201
In-kind contributions	165,006	-	-	165,006
Fees for management services	135,697	-	-	135,697
Investment and other income	93,899	-	-	93,899
Realized and unrealized gains and losses, net	315,203	-	-	315,203
 Subtotal	 3,048,073	 1,586,487	 -	 4,634,560
Net assets released from restrictions	2,141,509	(2,141,509)	-	-
 Total Revenues and Support	 5,189,582	 (555,022)	 -	 4,634,560
EXPENSES				
Program services	3,660,182	-	-	3,660,182
Administrative services	258,583	-	-	258,583
Development	892,198	-	-	892,198
 Total Expenses	 4,810,963	 -	 -	 4,810,963
 CHANGE IN NET ASSETS	 378,619	 (555,022)	 -	 (176,403)
 NET ASSETS, Beginning of Year	 5,230,733	 1,613,143	 292,008	 7,135,884
 NET ASSETS, End of Year	 \$ 5,609,352	 \$ 1,058,121	 \$ 292,008	 \$ 6,959,481

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services					Support Services			Total Expenses
	Mentor Services	High School Program	Post-Secondary Program	Total Program Services		Administrative Services	Development	Total	
Awards and gifts	\$ 1,209	\$ 6,893	\$ 4,437	\$ 12,539	\$ 254	\$ 696	\$ 13,489		
Conferences and training	2,218	3,314	897	6,429	434	24,183	31,046		
Depreciation	18,196	39,463	9,689	67,348	17,132	17,132	101,612		
Fringe benefits	87,992	178,800	47,797	314,589	46,559	82,886	444,034		
In-kind contributions	5,247	11,381	2,794	19,422	4,941	4,941	29,304		
Insurance	7,949	17,239	4,232	29,420	7,484	7,484	44,388		
Meals, cultural activities, and travel	30,862	114,059	21,150	166,071	5,765	22,951	194,787		
Memberships and dues	302	1,472	1,893	3,667	63	586	4,316		
Mileage and parking	19,402	35,731	15,012	70,145	12,368	15,203	97,716		
Outside services	37,880	91,797	22,949	152,626	27,815	81,695	262,136		
Postage and delivery	2,071	533	635	3,239	202	2,258	5,699		
Printing	2,829	8,899	1,343	13,071	2,374	5,307	20,752		
Public relations and advertising	2,241	4,212	1,035	7,488	1,830	1,830	11,148		
Rent	69,187	159,604	37,572	266,363	63,401	68,911	398,675		
Repairs and maintenance	4,481	13,539	2,297	20,317	1,630	28,801	50,748		
Salaries and temporary employees	563,405	1,224,155	306,445	2,094,005	123,658	521,065	2,738,728		
Scholarships, net	-	-	270,110	270,110	-	-	270,110		
Supplies	11,793	19,740	5,530	37,063	3,583	4,974	45,620		
Telephone	3,644	10,033	1,825	15,502	2,570	3,674	21,746		
Total Functional Expenses	\$ 870,908	\$ 1,940,864	\$ 757,642	\$ 3,569,414	\$ 322,063	\$ 894,577	\$ 4,786,054		

In-kind contributions above includes donated goods and services. The most significant items include donated catering for events (\$18,990), professional and consulting services (\$3,903) and all other (\$6,411).

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program Services						Support Services		
	Mentor Services	High School	Post-Secondary	Total Program Services	Administrative Services	Development	Total Expenses		
		Program	Program						
Awards and gifts	\$ 5,418	\$ 13,710	\$ 1,692	\$ 20,820	\$ 882	\$ 4,922	\$ 26,624		
Conferences and training	1,402	2,069	399	3,870	-	15,891	19,761		
Depreciation	20,029	39,837	7,263	67,129	13,756	13,756	94,641		
Fringe benefits	81,855	161,463	35,541	278,859	29,588	63,774	372,220		
In-kind contributions	38,755	66,169	21,243	126,167	19,419	19,421	165,007		
Insurance	9,084	18,068	3,294	30,446	6,239	6,239	42,924		
Meals, cultural activities, and travel	21,995	81,053	15,083	118,131	3,805	31,175	153,111		
Memberships and dues	667	2,504	2,361	5,532	35	79	5,646		
Mileage and parking	18,295	34,898	9,861	63,054	10,043	11,871	84,968		
Outside services	35,982	81,815	16,419	134,216	20,140	149,647	304,003		
Postage and delivery	1,897	2,182	608	4,687	541	3,289	8,517		
Printing	4,109	13,301	1,836	19,246	2,609	9,350	31,205		
Public relations and advertising	3,196	5,959	1,086	10,241	2,058	2,057	14,356		
Rent	78,110	181,824	29,654	289,588	44,515	52,618	386,721		
Repairs and maintenance	3,981	11,561	1,776	17,318	1,072	17,055	35,445		
Salaries and temporary employees	596,596	1,181,325	247,292	2,025,213	99,668	482,263	2,607,145		
Scholarships, net	-	-	388,154	388,154	-	-	388,154		
Supplies	14,583	20,562	4,452	39,597	2,209	5,741	47,547		
Telephone	3,995	12,612	1,307	17,914	2,004	3,050	22,968		
Total Functional Expenses	\$ 939,949	\$ 1,930,912	\$ 789,321	\$ 3,660,182	\$ 258,583	\$ 892,198	\$ 4,810,963		

In-kind contributions above includes donated goods and services. The most significant items include donated catering for events (\$26,249), rent for use of facilities (\$30,000), professional and consulting services (\$94,107) and all other (\$14,650).

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (546,977)	\$ (176,403)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	101,612	94,641
Unrealized/realized gains on investments	(117,760)	(315,203)
Change in discount on unconditional promises to give	(1,495)	(5,005)
Change in allowance on unconditional promises to give	1,527	(9,051)
Change in discount on scholarships payable	542	(227)
Change in allowance on scholarships payable	40,219	6,581
(Increase) decrease in assets:		
Unconditional promises to give	45,850	572,578
Prepaid expenses	(48,523)	(20,705)
Deposits and other assets	(1,199)	(32,047)
Cash surrender value of life insurance policies	(22,106)	(21,840)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	78,454	(567,697)
Deferred revenue	5,065	(28,620)
Scholarships payable	(269,625)	7,100
	(734,416)	(495,898)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received for sales of investments	98,412	-
Cash paid for purchases of investments	(132,923)	(71,841)
Cash paid for purchases of property and equipment	-	(25,515)
	(34,511)	(97,356)
NET CASH USED IN INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(768,927)	(593,254)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,438,589	3,031,843
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,669,662	\$ 2,438,589
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
<i>Non-Cash Investing and Financing Activities:</i>		
Leasehold improvements acquired as rent incentives	\$ -	\$ 144,788

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 1 – GENERAL AND ORGANIZATION

Fulfillment Fund is organized as a California nonprofit public benefit corporation. Serving the Los Angeles community for more than 37 years, the mission of the Fulfillment Fund is to make college a reality for students growing up in educationally and economically under-resourced communities. We meet the needs of under-resourced youth in Los Angeles by building relationships, illuminating opportunities, and changing lives. Our vision is that all students, regardless of circumstances, will one day have the opportunity to attend college, graduate, and actively participate in transforming their communities and creating a better society.

The Fulfillment Fund is a leading college access organization with a multi-pronged model for success. Nine in ten Fulfillment Fund high school graduates go on to college, compared to only five in ten low-income high school graduates nationally. Our model helps to grow the college-going culture in the schools we serve as well as the broader Los Angeles community. Guided by our Strategic Plan, our College Access and Success Model promotes higher education and college-going culture in under-resourced partner schools through three primary programs: College Access Program, Mentoring, and Post-Secondary. Our College Access Program for high school students is designed around our classroom-based curriculum, individualized college counseling, financial aid workshops, SAT prep, and experiential learning opportunities; such as college tours and our annual signature college fair event, Destination College. Mentoring is the second component of our core programs; we begin matching students with caring adult role models starting in the 7th grade to provide support for the challenging transition to high school. Our Post-Secondary support helps ensure our students have the financial services they need to reach their higher education goals which include scholarships, textbook stipends, a transfer scholars initiative, and internship support through a professional development series. In addition, we continue to cultivate and leverage strategic partnerships in the community to promote our service delivery. As they graduate from college, our alumni support the Fulfillment Fund and the next generation of students by becoming donors, mentors, volunteers and speakers at our events; perpetuating a cycle of giving in the community.

During 2013, the Fulfillment Fund opened and operated a second office in Las Vegas, Nevada to administer high school programs. The initial operating funds of the Las Vegas entity were provided by the Fulfillment Fund. In February 2013, Fulfillment Fund Las Vegas (“FFLV”) was incorporated as a Nevada non-profit corporation. Fulfillment Fund earns a management fee from FFLV for the reimbursement of costs to provide FFLV with management service.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation – The financial statements are presented utilizing the accrual basis of accounting. The Fulfillment Fund recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Fulfillment Fund and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. During the years ended June 30, 2015 and 2014, the board has designated unrestricted net assets as restricted for long-term purposes amounting to \$3,426,621 and \$3,274,350, respectively.

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Fulfillment Fund and / or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. As of June 30, 2015 and 2014, the Fulfillment Fund had temporarily restricted net assets of \$1,012,198 and \$1,058,121, respectively.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by the Fulfillment Fund. Investment income generated from these funds is available for general support of the Fulfillment Fund unless otherwise stipulated by the donor. As of June 30, 2015 and 2014, the Fulfillment Fund had permanently restricted net assets of \$292,008.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents – The Fulfillment Fund considers highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash restricted as to use includes cash permanently restricted for an endowment.

Investments – Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Promises to Give – Contributions are recognized when the donor makes a promise to give the Fulfillment Fund that is, in substance, unconditional. Contributions that are restricted by the donor or provided for future periods are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services and Equipment – Donated services are recognized if the services received create or enhance long-lived assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods are recognized at fair value at the time of contribution. Donated goods and services totaled \$29,303 and \$165,006 for the years ended June 30, 2015 and 2014, respectively. These amounts are included in in-kind contributions in the accompanying statements of activities.

A number of unpaid volunteers have made significant contributions of their time to the Fulfillment Fund. The value of this contributed time is not reflected in these statements since it is not possible to value or objectively measure these contributions. The Fulfillment Fund estimates that such volunteers provided approximately 17,000 hours of service during both years ended June 30, 2015 and 2014.

Property and Equipment – Property and equipment are stated at cost or, if contributed, at fair value at the date of contribution. Depreciation and amortization are provided over the estimated useful life of each class of depreciable asset and are computed using the straight-line method. Depreciation expense is calculated on straight-line method over three years for computers and software and four years for furniture and equipment. Depreciation for leasehold improvements is computed over the lesser of the assets useful life or lease term.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Gifts are long-lived assets such as property and equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets – Long-lived assets such as property and equipment are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Further, long-lived assets held for sale are to be stated at the lower cost or fair market value less costs to sell. The Fulfillment Fund has determined that no events occurred during the years ended June 30, 2015 and 2014 that would give rise to impairment of its long-lived assets.

Functional Allocation of Expenses – Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on estimates determined by management. The Fulfillment Fund allocates salary, program administrative, general administrative and facilities expenses to programs based upon level of effort, time reporting and employee headcount.

Concentration of Risk – Financial instruments which potentially subject the Fulfillment Fund to concentrations of credit risk consist of cash, money market funds, certificates of deposit, agencies and unconditional promises to give. The Fulfillment Fund places its cash with high-credit, quality financial institutions. These investments are monitored by the Fulfillment Fund's investment committee and made in the manner consistent with policies and guidelines established by the investment committee and approved by the board of directors. The Federal Deposit Insurance Corporation ("FDIC") insures cash up to \$250,000 per institution and the Securities Investor Protection Corporation ("SIPC") protects investments up to \$500,000 per investor. In the normal course of operations, such cash and investment balances may exceed the FDIC and SIPC insurance limits. However, the Fulfillment Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

For the years ended June 30, 2015 and 2014, there were two and three individual and foundation donors that made up approximately 31% and 54%, respectively, of the Fulfillment Fund's unconditional promises to give. Each of these donors either has long-standing associations with the Fulfillment Fund or has provided substantial financial support to the Fulfillment Fund. An allowance has been provided for potential uncollectible amounts associated with all unconditional promises to give.

Income Taxes – The Fulfillment Fund is exempt from federal income and excise taxes and California franchise taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and related state codes. However, the Fulfillment Fund is subject to income taxes on any net income that is derived from a trade business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

The Fulfillment Fund evaluates tax positions and recognizes a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. If such issues exist, the Fulfillment Fund's policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense. During the years ended June 30, 2015 and 2014, the Fulfillment Fund recognized no interest or penalties.

The Fulfillment Fund's income tax returns remain subject to examination for all tax years ended on or after June 30, 2012 with regard to all tax positions and the results reported.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Outside Services – Outside services include expenses in the following areas: curriculum development, program evaluation consulting, graphic design work, human resources, accounting and auditing services, bank fees and payroll processing.

Administrative Services Expenses – Administrative services activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the Fulfillment Fund's existence. They include oversight, finance, human resources, communications and information technology.

Subsequent Events – Subsequent events have been evaluated through October 9, 2015, the date the financial statements were available to be issued.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Fulfillment Fund's investments are reported at fair value in the accompanying statements of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the entity's own assumptions in determining fair value of investments)

The Fulfillment Fund classifies its investment in a pooled endowment fund (managed by the UCLA Foundation) and the cash surrender value of two life insurance policies in the Level 3 fair value hierarchy. The total amount of assets measured using Level 3 valuation methodologies represented approximately 41% of total assets as of June 30, 2015 and 35% of total assets as of June 30, 2014.

As of June 30, 2015 and 2014, the Fulfillment Fund's investments (excluding the life insurance policies above) consisted of:

	June 30, 2015		June 30, 2014	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Pooled endowment assets	\$ 2,603,892	\$ 2,637,342	\$ 2,463,329	\$ 2,247,934
Short-term bond mutual fund	338,112	339,693	334,020	334,962
Bond index mutual fund	174,113	179,739	171,154	174,969
Equity index mutual fund	435,768	358,174	431,130	348,562
Total	<u>\$ 3,551,885</u>	<u>\$ 3,514,947</u>	<u>\$ 3,399,633</u>	<u>\$ 3,106,427</u>

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 3 – FAIR VALUE MEASUREMENTS – (CONTINUED)

As of June 30, 2015, the Fulfillment Fund's investments were classified by level within the valuation hierarchy as follows:

	Total	Fair Value Designation		
		Level 1	Level 2	Level 3
Pooled endowment assets	\$ 2,603,892	\$ -	\$ -	\$ 2,603,892
Mutual funds	947,993	947,993	-	-
Cash surrender value of life insurance policies	336,544	-	-	336,544
Total	\$ 3,888,429	\$ 947,993	\$ -	\$ 2,940,436

As of June 30, 2014, the Fulfillment Fund's investments were classified by level within the valuation hierarchy as follows:

	Total	Fair Value Designation		
		Level 1	Level 2	Level 3
Pooled endowment assets	\$ 2,463,329	\$ -	\$ -	\$ 2,463,329
Mutual funds	936,304	936,304	-	-
Cash surrender value of life insurance policies	314,438	-	-	314,438
Total	\$ 3,714,071	\$ 936,304	\$ -	\$ 2,777,767

The changes in Level 3 assets (pooled endowment fund and cash surrender value of life insurance policies) measured at fair value on a recurring basis are summarized as follows:

	June 30,	
	2015	2014
Balance, beginning of year	\$ 2,777,767	\$ 2,463,373
Net purchases, sales and other settlements	11,389	81,796
Total net gains included in changes in assets		
Net gains	151,280	232,598
Balance, end of year	\$ 2,940,436	\$ 2,777,767

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	June 30,	
	2015	2014
Unrestricted promises to give	\$ 402,447	\$ 866,797
Restricted to Post-Secondary Program	671,500	251,500
Restricted to Mentoring Services	3,000	4,500
	<u>1,076,947</u>	<u>1,122,797</u>
Gross unconditional promises to give	<u>\$ 1,076,947</u>	<u>\$ 1,122,797</u>

Unconditional promises to give are expected to be received as follows:

	June 30,	
	2015	2014
Within one year	\$ 482,575	\$ 457,875
One to five years	594,372	664,922
	<u>1,076,947</u>	<u>1,122,797</u>
Gross unconditional promises to give	1,076,947	1,122,797
Less discount to reflect at present value	(20,578)	(22,073)
Less allowance for uncollectible pledges	<u>(44,130)</u>	<u>(42,603)</u>
Net unconditional promises to give	1,012,239	1,058,121
Less current portion	<u>463,852</u>	<u>440,993</u>
Long-term portion	<u>\$ 548,387</u>	<u>\$ 617,128</u>

Management applied a 2.0% discount rate for the years ended June 30, 2015 and 2014 to compute the present value of the pledge obligation. Approximately \$44,944 (4.2%) and \$246,250 (21.9%) of gross unconditional promises to give were past due at June 30, 2015 and 2014, respectively.

The reserve for unconditional promises to give had the following activity in 2015 and 2014:

	June 30,	
	2015	2014
Balance, beginning of year	\$ (42,603)	\$ (51,654)
Amounts written-off	14,792	25,500
Increase in allowance for uncollectible pledges	<u>(16,319)</u>	<u>(16,449)</u>
Balance, end of year	<u>\$ (44,130)</u>	<u>\$ (42,603)</u>

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2015	2014
Computers and software	\$ 469,543	\$ 470,311
Furniture and equipment	182,701	182,701
Leasehold improvements	144,788	144,788
	797,032	797,800
Less accumulated depreciation	588,409	487,565
Total	<u>\$ 208,623</u>	<u>\$ 310,235</u>

The Fulfillment Fund incurred depreciation expenses of \$101,612 and \$94,641 for the years ended June 30, 2015 and 2014, respectively.

NOTE 6 – SCHOLARSHIPS PAYABLE

The Fulfillment Fund provides scholarships to students to help support the costs of continuing the students' education. Scholarships payable consist of the following

	June 30,	
	2015	2014
Gross balance, beginning of year	\$ 322,500	\$ 315,400
New scholarships awarded	390,450	401,750
Payments made to scholarship students	(611,825)	(381,650)
Write - offs / forfeitures	(48,250)	(13,000)
Gross balance, end of year	52,875	322,500
Less discount	-	(542)
Less allowance for scholarships payable	(7,931)	(48,150)
Net scholarship payable	44,944	273,808
Less current portion	44,944	246,725
Long-term portion	<u>\$ -</u>	<u>\$ 27,083</u>

The reserve for scholarships payable had the following activity in 2015 and 2014:

	June 30,	
	2015	2014
Balance, beginning of year	\$ (48,150)	\$ (54,731)
Write - offs / forfeitures	48,250	13,000
Addition to allowance for scholarships payable	(8,031)	(6,419)
Balance, end of year	<u>\$ (7,931)</u>	<u>\$ (48,150)</u>

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 consist of the following:

	June 30,	
	2015	2014
Promises to give restricted due to time	\$ 402,447	\$ 866,797
Restricted to Post-Secondary Program	671,500	251,500
Restricted to Mentoring Services	3,000	4,500
	<hr/>	<hr/>
Gross unconditional promises to give	1,076,947	1,122,797
Less discount	(20,578)	(22,073)
Less allowance for uncollectible pledges	(44,130)	(42,603)
	<hr/>	<hr/>
Net unconditional promises to give	<u>\$ 1,012,239</u>	<u>\$ 1,058,121</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

The Fulfillment Fund had one donor-restricted endowment fund which was held in a money market account and was classified in net assets as permanently restricted. During 2013, the funds of the endowment were reinvested in various mutual funds along with unrestricted and board-designated reserve net assets.

At June 30, 2015, permanently restricted and board-designated reserve net assets consisted of the following:

	Board-Designated Reserve	Permanently Restricted	Total
	<hr/>	<hr/>	<hr/>
Donor-restricted funds	\$ -	\$ 292,008	\$ 292,008
Board-designated funds	3,426,621	-	3,426,621
	<hr/>	<hr/>	<hr/>
Total, end of year	<u>\$ 3,426,621</u>	<u>\$ 292,008</u>	<u>\$ 3,718,629</u>

At June 30, 2014, permanently restricted and board-designated reserve net assets consisted of the following:

	Board-Designated Reserve	Permanently Restricted	Total
	<hr/>	<hr/>	<hr/>
Donor-restricted funds	\$ -	\$ 292,008	\$ 292,008
Board-designated funds	3,274,350	-	3,274,350
	<hr/>	<hr/>	<hr/>
Total, end of year	<u>\$ 3,274,350</u>	<u>\$ 292,008</u>	<u>\$ 3,566,358</u>

Any interest and dividend income that is generated by the endowment and board-designated funds are available to be appropriated for general operational use. There were no new endowments received during 2015 and 2014.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

These permanently restricted and board-designated reserve net assets are invested in the following accounts:

	June 30, 2015	June 30, 2014
Money market fund, Vanguard	\$ 166,744	\$ 166,725
Mutual funds, Vanguard	947,993	936,304
Pooled endowment assets, UCLA Foundation	<u>2,603,892</u>	<u>2,463,329</u>
	<u>\$ 3,718,629</u>	<u>\$ 3,566,358</u>

For the year ended June 30, 2015, Fulfillment Fund's endowment net assets changed as follows:

	Board-Designated Reserve	Permanently Restricted	Total
Net assets, beginning of year	\$ 3,274,350	\$ 292,008	\$ 3,566,358
Net investment return			
Interest income	152,271	-	152,271
Appropriate of endowment			
Assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 3,426,621</u>	<u>\$ 292,008</u>	<u>\$ 3,718,629</u>

For the year ended June 30, 2014, Fulfillment Fund's endowment net assets changed as follows:

	Board-Designated Reserve	Permanently Restricted	Total
Net assets, beginning of year	\$ 2,887,306	\$ 292,008	\$ 3,179,314
Net investment return			
Interest income	387,027	17	387,044
Appropriate of endowment			
Assets for expenditure	<u>17</u>	<u>(17)</u>	<u>-</u>
Net assets, end of year	<u>\$ 3,274,350</u>	<u>\$ 292,008</u>	<u>\$ 3,566,358</u>

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 9 – COMMITMENTS

Lease Obligations

The Fulfillment Fund leases its office space and certain equipment under new-cancellable operating leases that expire in August 31, 2023 and February 28, 2018, respectively. The office lease has an early termination option on August 31, 2020. The future minimum lease payments required under the non-cancelable operating leases at June 30, 2015 were as follows:

<u>Years ending June 30,</u>	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2016	\$ 266,864	\$ 21,480	\$ 288,344
2017	357,544	-	357,544
2018	367,567	-	367,567
2019	378,522	-	380,541
2020	390,875	-	392,895
Thereafter	156,512	-	156,512
Total	<u>\$ 1,917,884</u>	<u>\$ 21,480</u>	<u>\$ 1,943,403</u>

Rent expenses under the operating leases, including month to month, amounted to \$398,675 and \$386,721 for the years ended June 30, 2015 and 2014, respectively.

Legal Matters

In the ordinary course of business, the Fulfillment Fund is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Fulfillment Fund.

NOTE 10 – RELATED PARTY TRANSACTIONS

Fulfillment Fund Las Vegas

Fulfillment Fund provides managerial support services to FFLV. Revenues for these services for the years ended June 30, 2015 and 2014 amounted to \$130,889 and \$135,697, respectively.

Amounts due from FFLV as of June 30, 2015 and 2014 amounted to \$73,533 and \$21,632, respectively, which is included in deposits and other assets on the statement of financial position.

Two directors of Fulfillment are also directors of FFLV.

Board members

A member of the Fulfillment Fund's board of directors serves as an officer of Wells Fargo Bank. Wells Fargo Bank is one of Fulfillment Fund's primary financial institutions.

At June 30, 2015 and 2014, Fulfillment Fund has pledges receivable from members of the board of directors, totaling \$386,531 and \$430,005, respectively. Management believes these pledges are fully collectible.