



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
Kristin L. Webster, CPA
Kristina M. Fujisaki, CPA†
Kristen L. Gillespie, CPA*†
Shannon Ward, CPA

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, 2016 and 2015, 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.

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

310 552 0960 ph
310 557 3468 fx

www.gursey.com

*Accredited in Business Valuation
†Certified in Financial Forensics

An Independent Member of
DFK International

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, 2016 and 2015, 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.

Gursay | Schneider LLP

January 25, 2017
Los Angeles, California

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 439,085	\$ 1,669,662
Unconditional promises to give, current portion, net	324,652	463,852
Prepaid expenses	58,400	96,723
Deposits and other assets	145,788	105,858
TOTAL CURRENT ASSETS	967,925	2,336,095
OTHER ASSETS		
Investments	3,432,407	3,551,885
Unconditional promises to give, net of current portion	511,822	548,387
Cash surrender value of life insurance policies	357,882	336,544
Property and equipment, net	108,580	208,623
Restricted cash (endowment assets)	167,155	166,744
TOTAL OTHER ASSETS	4,577,846	4,812,183
TOTAL ASSETS	\$ 5,545,771	\$ 7,148,278

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 613,113	\$ 624,685
Deferred revenue	26,000	66,145
Scholarships payable, current portion, net	11,688	44,944
TOTAL LIABILITIES	650,801	735,774
NET ASSETS		
Unrestricted	486,118	1,681,677
Unrestricted - board designated reserves	3,307,554	3,426,621
Temporarily restricted	809,290	1,012,198
Permanently restricted	292,008	292,008
TOTAL NET ASSETS	4,894,970	6,412,504
TOTAL LIABILITIES AND NET ASSETS	\$ 5,545,771	\$ 7,148,278

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 1,086,609	\$ 950,042	\$ -	\$ 2,036,651
Special event income, net of \$487,448 of direct costs	927,164	287,000	-	1,214,164
In-kind contributions	108,227	-	-	108,227
Fees for management services	171,245	-	-	171,245
Investment and other income	64,611	-	-	64,611
Realized and unrealized gains and losses, net	(135,778)	-	-	(135,778)
Subtotal	2,222,078	1,237,042	-	3,459,120
Net assets released from restrictions	1,439,950	(1,439,950)	-	-
Total Revenues and Support	3,662,028	(202,908)	-	3,459,120
EXPENSES				
Program services	3,688,606	-	-	3,688,606
Administrative services	306,644	-	-	306,644
Development	981,404	-	-	981,404
Total Expenses	4,976,654	-	-	4,976,654
CHANGE IN NET ASSETS	(1,314,626)	(202,908)	-	(1,517,534)
NET ASSETS, Beginning of Year	5,108,298	1,012,198	292,008	6,412,504
NET ASSETS, End of Year	\$ 3,793,672	\$ 809,290	\$ 292,008	\$ 4,894,970

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 1,064,416	\$ 1,554,635	-	\$ 2,619,051
Special event income, net of \$534,380 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	4,285,000	(45,923)	-	4,239,077
EXPENSES				
Program services	3,569,414	-	-	3,569,414
Administrative services	322,063	-	-	322,063
Development	894,577	-	-	894,577
Total Expenses	4,786,054	-	-	4,786,054
CHANGE IN NET ASSETS	(501,054)	(45,923)	-	(546,977)
NET ASSETS, Beginning of Year	5,609,352	1,058,121	292,008	6,959,481
NET ASSETS, End of Year	\$ 5,108,298	\$ 1,012,198	\$ 292,008	\$ 6,412,504

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services				Support Services			Total Expenses
	Mentor Services	High School Program	Post-Secondary Program	Total Program Services	Administrative Services	Development	Total	
Awards and gifts	\$ 3,978	\$ 3,236	\$ 23,197	\$ 30,411	\$ 287	\$ 4,111	\$ 34,809	
Conferences and training	393	1,329	84	1,806	13	63	1,882	
Depreciation	21,224	33,384	11,165	65,773	16,029	18,240	100,042	
Employee benefits and payroll taxes	79,090	133,757	52,002	264,849	43,649	79,132	387,630	
In-kind services	22,834	36,515	12,011	71,360	17,244	19,623	108,227	
Insurance	9,214	14,492	4,847	28,553	6,958	7,918	43,429	
Meals, cultural activities, and travel	18,728	106,195	11,897	136,820	1,515	29,685	168,020	
Memberships and dues	65	475	5,432	5,972	-	2,633	8,605	
Mileage and parking	19,129	30,367	10,815	60,311	12,771	18,809	91,891	
Outside services	87,764	128,802	52,896	269,462	54,419	150,087	473,968	
Postage and delivery	1,665	500	281	2,446	157	2,410	5,013	
Printing	1,340	4,275	728	6,343	1,012	1,369	8,724	
Public relations and advertising	50	78	26	154	38	43	235	
Rent	72,604	120,033	38,211	230,848	52,617	73,987	357,452	
Repairs and maintenance	4,499	12,664	2,291	19,454	1,208	26,220	46,882	
Salaries and temporary employees	541,141	1,082,087	384,841	2,008,069	95,021	532,040	2,635,130	
Scholarships, net	-	-	451,134	451,134	-	-	451,134	
Supplies	8,739	13,035	1,555	23,329	1,985	13,010	38,324	
Telephone	3,011	6,876	1,625	11,512	1,721	2,024	15,257	
Total Functional Expenses	\$ 895,468	\$ 1,728,100	\$ 1,065,038	\$ 3,688,606	\$ 306,644	\$ 981,404	\$ 4,976,654	

In-kind services above includes donated goods and services. The most significant items include donated legal services (\$53,465), rent for events (\$34,981) and all other (\$19,781).

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		Administrative Services	Development	
				Program Services	Program Services			
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 services	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 services 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).

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,517,534)	\$ (546,977)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	100,042	101,612
Unrealized / realized (gains) losses on investments	135,778	(117,760)
Change in discount on unconditional promises to give	(5,891)	(1,495)
Change in allowance on unconditional promises to give	(6,079)	1,527
Change in discount on scholarships payable	-	542
Change in allowance on scholarships payable	5,869	40,219
(Increase) decrease in assets:		
Unconditional promises to give	187,735	45,850
Prepaid expenses	(39,930)	(48,523)
Deposits and other assets	38,323	(1,199)
Cash surrender value of life insurance policies	(21,338)	(22,106)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,572)	78,454
Deferred revenue	(40,145)	5,065
Scholarships payable	(39,125)	(269,625)
NET CASH USED IN OPERATING ACTIVITIES	(1,213,867)	(734,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received for sales of investments	-	98,412
Cash paid for purchases of investments	(16,710)	(132,923)
NET CASH USED IN INVESTING ACTIVITIES	(16,710)	(34,511)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,230,577)	(768,927)
CASH AND CASH EQUIVALENTS, Beginning of Year	1,669,662	2,438,589
CASH AND CASH EQUIVALENTS, End of Year	\$ 439,085	\$ 1,669,662

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 1 – GENERAL AND ORGANIZATION

Fulfillment Fund is organized as a California nonprofit public benefit corporation. Serving the Los Angeles community for more than 38 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, 2016 and 2015, the board has designated unrestricted net assets as restricted for long-term purposes amounting to \$3,307,554 and \$3,426,621, respectively.
- *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, 2016 and 2015, the Fulfillment Fund had temporarily restricted net assets of \$809,290 and \$1,012,198, respectively.

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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

- *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, 2016 and 2015, 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 Goods and Services – 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 \$108,227 and \$29,303 for the years ended June 30, 2016 and 2015, 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 4,000 and 17,000 hours of service during the years ended June 30, 2016 and 2015.

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.

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.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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

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, 2016 and 2015 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, 2016 and 2015, there were three and two individual and foundation donors that made up approximately 46% and 31%, 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, 2016 and 2015, 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, 2013 with regard to all tax positions and the results reported.

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.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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

Effect of Recently Issued Accounting Standards — In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases” (*Topic 842*). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on Fulfillment Fund’s financial statements and related disclosures.

Finally, in May 2014, FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2017. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on Fulfillment Fund’s financial statements and related disclosures and has not yet selected a transition method.

Finally, on August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 “Not-for-Profit Entities (*Topic 958*), Presentation of Financial Statements of Not-for-Profit Entities” (“NFP”). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets. Four changes included in ASU 2016-14 are:

- (1) The existing three-class system of classifying net assets as unrestricted, temporarily unrestricted and permanently restricted, will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.
- (2) The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards’ policies or decisions to reduce or spend from these funds.
- (3) NFPs will be required to disclose in financial statement notes quantitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.
- (4) Finally, NFP’s may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

The effective date ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this Update is permitted. Management is currently evaluating the impact this change in accounting standards will have on Fulfillment Fund’s financial statements and related disclosures.

Subsequent Events – Subsequent events have been evaluated through January 25, 2017, the date the financial statements were available to be issued.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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 51% of total assets as of June 30, 2016 and 41% of total assets as of June 30, 2015.

As of June 30, 2016 and 2015, the Fulfillment Fund's investments (excluding the life insurance policies above) consisted of:

	June 30, 2016		June 30, 2015	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Pooled endowment assets	\$ 2,480,315	\$ 2,752,397	\$ 2,603,892	\$ 2,637,342
Short-term bond mutual fund	346,625	334,620	338,112	339,693
Bond index mutual fund	184,771	184,270	174,113	179,739
Equity index mutual fund	420,696	367,245	435,768	358,174
Total	\$ 3,432,407	\$ 3,638,532	\$ 3,551,885	\$ 3,514,948

As of June 30, 2016, 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	\$ 2,480,315	\$ -	\$ -	\$ 2,480,315
Mutual funds	952,092	952,092	-	-
Cash surrender value of life insurance policies	357,882	-	-	357,882
Total	\$ 3,790,289	\$ 952,092	\$ -	\$ 2,838,197

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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

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,	
	2016	2015
Balance, beginning of year	\$ 2,940,436	\$ 2,777,767
Net purchases, sales and other settlements	138,373	11,389
Total net gains included in changes in assets		
Net gains	(240,612)	151,280
Balance, end of year	<u>\$ 2,838,197</u>	<u>\$ 2,940,436</u>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	June 30,	
	2016	2015
Unrestricted promises to give	\$ 366,712	\$ 402,447
Restricted to Post-Secondary Program	519,500	671,500
Restricted to Mentoring Services	3,000	3,000
Gross unconditional promises to give	<u>\$ 889,212</u>	<u>\$ 1,076,947</u>

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE – (CONTINUED)

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

	June 30,	
	2016	2015
Within one year	\$ 337,844	\$ 482,575
One to five years	551,368	594,372
Gross unconditional promises to give	889,212	1,076,947
Less discount to reflect at present value	(14,687)	(20,578)
Less allowance for uncollectible pledges	(38,051)	(44,130)
Net unconditional promises to give	836,474	1,012,239
Less current portion	324,652	463,852
Long-term portion	<u>\$ 511,822</u>	<u>\$ 548,387</u>

Management applied a 2.0% discount rate for the years ended June 30, 2016 and 2015 to compute the present value of the pledge obligation. Approximately \$146,692 (16%) and \$44,944 (4.2%) of gross unconditional promises to give were past due at June 30, 2016 and 2015, respectively.

The reserve for unconditional promises to give had the following activity in 2016 and 2015:

	June 30,	
	2016	2015
Balance, beginning of year	\$ (44,130)	\$ (42,603)
Amounts written-off	30,018	14,792
Increase in allowance for uncollectible pledges	(23,939)	(16,319)
Balance, end of year	<u>\$ (38,051)</u>	<u>\$ (44,130)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2016	2015
Computers and software	\$ 469,543	\$ 469,543
Furniture and equipment	182,701	182,701
Leasehold improvements	144,788	144,788
	797,032	797,032
Less accumulated depreciation	688,452	588,409
Total	<u>\$ 108,580</u>	<u>\$ 208,623</u>

Depreciation expenses was \$100,042 and \$101,113 for the years ended June 30, 2016 and 2015, respectively.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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,	
	2016	2015
Gross balance, beginning of year	\$ 52,875	\$ 322,500
New scholarships awarded	445,265	390,450
Payments made to scholarship students	(460,540)	(611,825)
Write-offs / forfeitures	(23,850)	(48,250)
	<u>13,750</u>	<u>52,875</u>
Gross balance, end of year	13,750	52,875
Less allowance for scholarships payable	(2,062)	(7,931)
	<u>11,688</u>	<u>44,944</u>
Net scholarship payable - current	<u>\$ 11,688</u>	<u>\$ 44,944</u>

The reserve for scholarships payable had the following activity in 2016 and 2015:

	June 30,	
	2015	2014
Balance, beginning of year	\$ (7,931)	\$ (48,150)
Write - offs / forfeitures	23,850	48,250
Addition to allowance for scholarships payable	(17,981)	(8,031)
	<u>(2,062)</u>	<u>(7,931)</u>
Balance, end of year	<u>\$ (2,062)</u>	<u>\$ (7,931)</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	June 30,	
	2016	2015
Promises to give restricted due to time	\$ 339,528	\$ 402,447
Restricted to Post-Secondary Program	519,500	671,500
Restricted to Mentoring Services	3,000	3,000
	<u>862,028</u>	<u>1,076,947</u>
Gross unconditional promises to give	862,028	1,076,947
Less discount	(14,687)	(20,619)
Less allowance for uncollectible pledges	(38,051)	(44,130)
	<u>809,290</u>	<u>1,012,198</u>
Net unconditional promises to give	<u>\$ 809,290</u>	<u>\$ 1,012,198</u>

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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, 2016, permanently restricted and board-designated reserve net assets consisted of the following:

	Board-Designated Reserve	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 292,008	\$ 292,008
Board-designated funds	3,307,554	-	3,307,554
Total, end of year	<u>\$ 3,307,554</u>	<u>\$ 292,008</u>	<u>\$ 3,599,562</u>

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

	Board-Designated Reserve	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 292,008	\$ 292,008
Board-designated funds	3,426,621	-	3,426,621
Total, end of year	<u>\$ 3,426,621</u>	<u>\$ 292,008</u>	<u>\$ 3,718,629</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 2016 and 2015.

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

	June 30, 2016	June 30, 2015
Money market fund, Vanguard	\$ 167,155	\$ 166,744
Mutual funds, Vanguard	952,092	947,993
Pooled endowment assets, UCLA Foundation	2,480,315	2,603,892
	<u>\$ 3,599,562</u>	<u>\$ 3,718,629</u>

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

For the year ended June 30, 2016, Fulfillment Fund's endowment net assets changed as follows:

	Board-Designated Reserve	Permanently Restricted	Total
Net assets, beginning of year	\$ 3,426,621	\$ 292,008	\$ 3,718,629
Net investment return	(119,067)	-	(119,067)
Appropriation of endowment assets for expenditure	-	-	-
Net assets, end of year	<u>\$ 3,307,554</u>	<u>\$ 292,008</u>	<u>\$ 3,599,562</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	152,271	-	152,271
Appropriation of endowment assets for expenditure	-	-	-
Net assets, end of year	<u>\$ 3,426,621</u>	<u>\$ 292,008</u>	<u>\$ 3,718,629</u>

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, 2016 were as follows:

<u>Years ending June 30,</u>	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 357,545	\$ 2,880	\$ 362,442
2018	367,567	2,880	372,465
2019	378,522	2,880	383,421
2020	390,875	2,880	395,775
2021	156,512	2,640	161,173
Thereafter	-	-	-
Total	<u>\$ 1,651,021</u>	<u>\$ 14,160</u>	<u>\$ 1,675,276</u>

Rent expenses under the operating leases, including month to month, amounted to \$357,452 and \$398,675 for the years ended June 30, 2016 and 2015, 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.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015 amounted to \$171,245 and \$130,889, respectively.

Amounts due from FFLV as of June 30, 2016 and 2015 amounted to \$115,421 and \$73,533, 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, 2016 and 2015, Fulfillment Fund has pledges receivable from members of the board of directors, totaling \$346,512 and \$386,531, respectively. Management believes these pledges are fully collectible.