

# **FULFILLMENT FUND**

**(A California Nonprofit Public Benefit Corporation)**

## **FINANCIAL STATEMENTS**

**June 30, 2017 and 2016**



**Gurseley | Schneider** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## CONTENTS

	<b><u>Pages</u></b>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 19



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†

**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](http://www.gursey.com)

\*Accredited in Business Valuation  
†Certified in Financial Forensics

An Independent Member of  
DFK International

**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, 2017 and 2016, 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.

**Opinion**

In our opinion, the financial statements referred to in the previous page present fairly, in all material respects, the financial position of Fulfillment Fund as of June 30, 2017 and 2016, 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*

April 17, 2018  
Los Angeles, California

**FULLFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statements of Financial Position  
June 30, 2017 and 2016

	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 898,360	\$ 439,085
Unconditional promises to give, current portion, net	432,579	324,652
Prepaid expenses	76,747	58,400
Deposits and other assets	166,404	145,788
TOTAL CURRENT ASSETS	1,574,090	967,925
<b>OTHER ASSETS</b>		
Investments	2,972,856	3,432,407
Unconditional promises to give, net of current portion	171,302	511,822
Cash surrender value of life insurance policies	380,906	357,882
Property and equipment, net	77,714	108,580
Restricted cash (endowment assets)	-	167,155
TOTAL OTHER ASSETS	3,602,778	4,577,846
<b>TOTAL ASSETS</b>	<b>\$ 5,176,868</b>	<b>\$ 5,545,771</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 556,213	\$ 613,113
Deferred revenue	16,000	26,000
Scholarships payable, net	-	11,688
TOTAL LIABILITIES	572,213	650,801
<b>NET ASSETS</b>		
Unrestricted	1,027,918	486,118
Unrestricted - board designated reserves	2,680,848	3,307,554
Temporarily restricted	603,881	809,290
Permanently restricted	292,008	292,008
TOTAL NET ASSETS	4,604,655	4,894,970
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,176,868</b>	<b>\$ 5,545,771</b>

See Accompanying Notes to Financial Statements

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities  
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 1,808,342	\$ 749,729	\$ -	\$ 2,558,071
Special event income, net of \$440,191 of direct costs	1,449,013	212,840	-	1,661,853
In-kind contributions	307,194	-	-	307,194
Fees for management services	116,592	-	-	116,592
Investment and other income	71,789	-	-	71,789
Realized and unrealized gains and losses, net	381,759	-	-	381,759
Subtotal	4,134,689	962,569	-	5,097,258
Net assets released from restrictions	1,167,978	(1,167,978)	-	-
<b>Total Revenues and Support</b>	<b>5,302,667</b>	<b>(205,409)</b>	<b>-</b>	<b>5,097,258</b>
<b>EXPENSES</b>				
Program services	3,873,200	-	-	3,873,200
Administrative services	394,994	-	-	394,994
Development	1,119,379	-	-	1,119,379
<b>Total Expenses</b>	<b>5,387,573</b>	<b>-</b>	<b>-</b>	<b>5,387,573</b>
<b>CHANGE IN NET ASSETS</b>	<b>(84,906)</b>	<b>(205,409)</b>	<b>-</b>	<b>(290,315)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>3,793,672</b>	<b>809,290</b>	<b>292,008</b>	<b>4,894,970</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 3,708,766</b>	<b>\$ 603,881</b>	<b>\$ 292,008</b>	<b>\$ 4,604,655</b>

See Accompanying Notes to Financial Statements

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
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)	-	-
<b>Total Revenues and Support</b>	<b>3,662,028</b>	<b>(202,908)</b>	<b>-</b>	<b>3,459,120</b>
<b>EXPENSES</b>				
Program services	3,688,606	-	-	3,688,606
Administrative services	306,644	-	-	306,644
Development	981,404	-	-	981,404
<b>Total Expenses</b>	<b>4,976,654</b>	<b>-</b>	<b>-</b>	<b>4,976,654</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,314,626)</b>	<b>(202,908)</b>	<b>-</b>	<b>(1,517,534)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>5,108,298</b>	<b>1,012,198</b>	<b>292,008</b>	<b>6,412,504</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 3,793,672</b>	<b>\$ 809,290</b>	<b>\$ 292,008</b>	<b>\$ 4,894,970</b>

See Accompanying Notes to Financial Statements

**FULLFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Functional Expenses  
For the Year Ended June 30, 2017

	Program Services				Support Services		
	Mentor Services	High School Program	Post-Secondary Program	Total Program Services	Administrative Services	Development	Total Expenses
Awards and gifts	\$ 5,633	\$ 8,295	\$ 7,074	\$ 21,002	\$ 408	\$ 2,776	\$ 24,186
Bad debt	-	-	-	-	123,589	-	123,589
Conferences and training	4,262	5,553	5,272	15,087	1,885	2,179	19,151
Depreciation	7,563	14,273	5,119	26,955	5,067	8,929	40,951
Fringe benefits	82,673	158,296	58,239	299,208	29,810	81,794	410,812
In-kind services	57,692	102,648	38,212	198,552	39,336	69,306	307,194
Insurance	7,159	12,737	4,742	24,638	4,881	8,600	38,119
Meals, cultural activities, and travel	24,851	95,994	19,789	140,634	2,957	66,099	209,690
Memberships and dues	1,380	5,099	2,200	8,679	512	3,883	13,074
Mileage and parking	15,949	31,600	11,917	59,466	9,851	22,608	91,925
Outside services	83,051	171,805	63,074	317,930	55,487	211,873	585,290
Postage and delivery	1,298	782	796	2,876	296	3,221	6,393
Printing	495	2,153	220	2,868	226	8,968	12,062
Public relations and advertising	12	25,038	6	25,056	2	2	25,060
Rent	82,043	157,473	54,912	294,428	50,622	121,522	466,572
Repairs and maintenance	1,702	4,241	1,034	6,977	768	35,482	43,227
Salaries and temporary employees	540,319	1,052,552	362,328	1,955,199	67,332	456,939	2,479,470
Scholarships, net	-	-	428,913	428,913	-	-	428,913
Supplies	10,027	17,099	4,034	31,160	226	12,136	43,522
Telephone	3,296	7,838	2,438	13,572	1,739	3,062	18,373
<b>Total Functional Expenses</b>	<b>\$ 929,405</b>	<b>\$ 1,873,476</b>	<b>\$ 1,070,319</b>	<b>\$ 3,873,200</b>	<b>\$ 394,994</b>	<b>\$ 1,119,379</b>	<b>\$ 5,387,573</b>

In-kind services above includes donated goods and services. The most significant items include venue and catering for events (\$142,900), donated legal services (\$39,000) and all other (\$125,000).



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

	Program Services				Support Services		
	Mentor Services	High School Program	Post-Secondary Program	Total Program Services	Administrative Services	Development	Total Expenses
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
Fringe benefits	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
<b>Total Functional Expenses</b>	<b>\$ 895,468</b>	<b>\$ 1,728,100</b>	<b>\$ 1,065,038</b>	<b>\$ 3,688,606</b>	<b>\$ 306,644</b>	<b>\$ 981,404</b>	<b>\$ 4,976,654</b>

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)  
**Statements of Cash Flows**  
For the Years Ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (290,315)	\$ (1,517,534)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	40,951	100,042
Unrealized / realized (gains) losses on investments	(381,759)	135,778
Change in discount on unconditional promises to give	1,235	(5,891)
Change in allowance on unconditional promises to give	(7,586)	(6,079)
Change in allowance on scholarships payable	2,062	5,869
(Increase) decrease in assets:		
Unconditional promises to give	238,944	187,735
Prepaid expenses	(20,616)	(39,930)
Deposits and other assets	(18,347)	38,323
Cash surrender value of life insurance policies	(23,024)	(21,338)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(56,900)	(11,572)
Deferred revenue	(10,000)	(40,145)
Scholarships payable, net	(13,750)	(39,125)
	<b>(539,105)</b>	<b>(1,213,867)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received for sales of investments	860,000	-
Cash paid for purchases of investments	(18,690)	(16,299)
Cash paid for purchases of property and equipment	(10,085)	-
	<b>831,225</b>	<b>(16,299)</b>
<b>NET INCREASE (DECREASE) IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS</b>	<b>292,120</b>	<b>(1,230,166)</b>
<b>CASH, RESTRICTED CASH, AND CASH EQUIVALENTS; BEGINNING OF YEAR</b>	<b>606,240</b>	<b>1,836,406</b>
<b>END OF YEAR</b>	<b>\$ 898,360</b>	<b>\$ 606,240</b>

See Accompanying Notes to Financial Statements

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**NOTE 1 – GENERAL AND ORGANIZATION**

Fulfillment Fund is organized as a California nonprofit public benefit corporation. Serving the Los Angeles community for almost 40 years, the mission of the Fulfillment Fund is to make college a reality for students growing up in educationally and economically under-resourced communities. Fulfillment Fund meets the needs of under-resourced youth in Los Angeles by building relationships, illuminating opportunities, and changing lives. Fulfillment Fund's 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 scholar's 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* – 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, 2017 and 2016, the board has designated unrestricted net assets as restricted for long-term purposes amounting to \$2,680,848 and \$3,307,554, respectively.
- *Temporarily restricted net assets* – are subject to donor-imposed stipulations that 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, 2017 and 2016, the Fulfillment Fund had temporarily restricted net assets of \$603,881 and \$809,290, respectively.

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

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

- *Permanently restricted net assets* – are 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, 2017 and 2016, 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. For the purpose of understanding changes in cash flows, in accordance with Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, Fulfillment Fund presents changes in restricted cash along with changes in cash and cash equivalents.

**Investments** – Investments are presented at fair value. 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 \$385,236 and \$108,227 for the years ended June 30, 2017 and 2016, respectively. These amounts are included in in-kind contributions in the accompanying statements of activities. For the year ended June 30, 2017, \$78,042 of the \$385,236 donated goods and services is included in special event income 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 5,363 and 1,910 hours of service during the years ended June 30, 2017 and 2016.

**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.

**FULLFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**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, 2017 and 2016 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, 2017 and 2016, there were three individual and foundation donors that made up approximately 46% of the Fulfillment Fund's unconditional promises to give in both years. 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. No such positions have been identified. During the years ended June 30, 2017 and 2016, the Fulfillment Fund recognized no interest or penalties.

**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 Allocation** – 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, 2017 and 2016

**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.

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.

Five 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 qualitative 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) Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.
- (5) 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.

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

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

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 ASU is permitted. Management is currently evaluating the impact this change in accounting standards will have on the Organization's financial statements and related disclosures.

**Subsequent Events** – Subsequent events have been evaluated through April 17, 2018, 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 51% of total assets as of June 30, 2017 and June 30, 2016.

As of June 30, 2017 and 2016, the Fulfillment Fund's investments (excluding the life insurance policies above) consisted of:

	June 30, 2017		June 30, 2016	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Pooled endowment assets	\$ 2,303,509	\$ 2,252,397	\$ 2,480,315	\$ 2,752,397
Short-term bond mutual fund	161,562	163,068	338,112	334,620
Bond index mutual fund	158,968	163,159	174,113	184,270
Equity index mutual fund	348,817	263,240	435,768	367,245
<b>Total</b>	<b>\$ 2,972,856</b>	<b>\$ 2,841,864</b>	<b>\$ 3,428,308</b>	<b>\$ 3,638,532</b>

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**NOTE 3 – FAIR VALUE MEASUREMENTS – (CONTINUED)**

As of June 30, 2017, 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	\$ 2,303,509	\$ -	\$ -	\$ 2,303,509
Mutual funds	669,347	669,347	-	-
Cash surrender value of life insurance policies	380,906	-	-	380,906
<b>Total</b>	<b>\$ 3,353,762</b>	<b>\$ 669,347</b>	<b>\$ -</b>	<b>\$ 2,684,415</b>

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
<b>Total</b>	<b>\$ 3,790,289</b>	<b>\$ 952,092</b>	<b>\$ -</b>	<b>\$ 2,838,197</b>

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,	
	2017	2016
Balance, beginning of year	\$ 2,838,197	\$ 2,940,436
Net purchases, sales and other settlements	(475,706)	138,373
Total net gains included in changes in assets		
Net gains	321,924	(240,612)
<b>Balance, end of year</b>	<b>\$ 2,684,415</b>	<b>\$ 2,838,197</b>



**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	June 30,	
	2017	2016
Unrestricted promises to give	\$ 536,268	\$ 366,712
Restricted to Post-Secondary Program	100,000	519,500
Restricted to Mentoring Services	14,000	3,000
Gross unconditional promises to give	<u>\$ 650,268</u>	<u>\$ 889,212</u>

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

	June 30,	
	2017	2016
Within one year	\$ 450,680	\$ 337,844
One to five years	199,588	551,368
Gross unconditional promises to give	650,268	889,212
Less discount to reflect at present value	(15,922)	(14,687)
Less allowance for uncollectible pledges	<u>(30,465)</u>	<u>(38,051)</u>
Net unconditional promises to give	603,881	836,474
Less current portion	<u>432,579</u>	<u>324,652</u>
Long-term portion	<u>\$ 171,302</u>	<u>\$ 511,822</u>

Management applied a 2.0% discount rate for the years ended June 30, 2017 and 2016 to compute the present value of the pledge obligation. Approximately \$178,138 (27%) and \$146,692 (16%) of gross unconditional promises to give were past due at June 30, 2017 and 2016, respectively.

The allowance for unconditional promises to give had the following activity in 2017 and 2016:

	June 30,	
	2017	2016
Balance, beginning of year	\$ (38,051)	\$ (44,130)
Amounts written-off	131,175	30,018
Increase in allowance for uncollectible pledges	<u>(123,589)</u>	<u>(23,939)</u>
Balance, end of year	<u>\$ (30,465)</u>	<u>\$ (38,051)</u>

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30,	
	2017	2016
Computers and software	\$ 479,373	\$ 469,543
Furniture and equipment	182,701	182,701
Leasehold improvements	144,788	144,788
	<u>806,862</u>	<u>797,032</u>
Less accumulated depreciation	729,148	688,452
Total	<u>\$ 77,714</u>	<u>\$ 108,580</u>

Depreciation expenses was \$40,951 and \$100,042 for the years ended June 30, 2017 and 2016, 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,	
	2017	2016
Gross balance, beginning of year	\$ 13,750	\$ 52,875
New scholarships awarded	428,913	445,265
Payments made to scholarship students	(386,413)	(460,540)
Write-offs / forfeitures	(56,250)	(23,850)
	<u>-</u>	<u>13,750</u>
Gross balance, end of year	-	13,750
Less allowance for scholarships payable	-	(2,062)
Net scholarship payable - current	<u>\$ -</u>	<u>\$ 11,688</u>

The reserve for scholarships payable had the following activity in 2017 and 2016:

	June 30,	
	2017	2016
Balance, beginning of year	\$ (2,062)	\$ (7,931)
Write - offs / forfeitures	56,250	23,850
Addition to allowance for scholarships payable	(54,188)	(17,981)
Balance, end of year	<u>\$ -</u>	<u>\$ (2,062)</u>

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	June 30,	
	2017	2016
Promises to give restricted due to time	\$ 536,268	\$ 339,528
Restricted to Post-Secondary Program	100,000	519,500
Restricted to Mentoring Services	14,000	3,000
Gross unconditional promises to give	650,268	862,028
Less discount	(15,922)	(14,687)
Less allowance for uncollectible pledges	(30,465)	(38,051)
Net unconditional promises to give	<u>\$ 603,881</u>	<u>\$ 809,290</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, 2017, permanently restricted and unrestricted board-designated reserve net assets consisted of the following:

	Unrestricted Board-Designated Reserve	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 292,008	\$ 292,008
Unrestricted Board-designated funds	2,680,848	-	2,680,848
Total, end of year	<u>\$ 2,680,848</u>	<u>\$ 292,008</u>	<u>\$ 2,972,856</u>

At June 30, 2016, permanently restricted and unrestricted board-designated reserve net assets consisted of the following:

	Unrestricted Board-Designated Reserve	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 292,008	\$ 292,008
Unrestricted 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>

Any interest and dividend income that is generated by the endowment and unrestricted board-designated funds are available to be appropriated for general operational use. There were no new endowments received during 2017 and 2016.

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)**

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

	June 30,	
	2017	2016
Money market fund, Vanguard	\$ -	\$ 167,155
Mutual funds, Vanguard	669,347	952,092
Pooled endowment assets, UCLA Foundation	2,303,509	2,480,315
	<u>\$ 2,972,856</u>	<u>\$ 3,599,562</u>

For the year ended June 30, 2017, Fulfillment Fund's endowment net assets changed as follows:

	Unrestricted Board-Designated Reserve	Permanently Restricted	Total
Net assets, beginning of year	\$ 3,307,554	\$ 292,008	\$ 3,599,562
Net investment return	400,514	-	400,514
Appropriation of endowment assets for expenditure	(1,027,220)	-	(1,027,220)
Net assets, end of year	<u>\$ 2,680,848</u>	<u>\$ 292,008</u>	<u>\$ 2,972,856</u>

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

	Unrestricted 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)
Net assets, end of year	<u>\$ 3,307,554</u>	<u>\$ 292,008</u>	<u>\$ 3,599,562</u>

**FULLFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2017 and 2016

**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, 2017 were as follows:

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 367,567	\$ 28,592	\$ 396,159
2019	378,522	17,200	395,722
2020	390,875	2,880	393,755
2021	156,512	2,640	159,152
Total	<u>\$ 1,293,476</u>	<u>\$ 51,312</u>	<u>\$ 1,344,788</u>

Rent expenses under the operating leases, including month to month, amounted to \$466,572 and \$357,452 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 amounted to \$130,427 and \$171,245, respectively.

Amounts due from FFLV as of June 30, 2017 and 2016 amounted to \$96,990 and \$115,421, 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, 2017 and 2016, Fulfillment Fund has pledges receivable from members of the board of directors, totaling \$155,125 and \$346,512, respectively. Management believes these pledges are fully collectible.