

# **FULFILLMENT FUND**

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

## **FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**



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

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## **Independent Auditor's Report**

To the Board of Directors  
Fulfillment Fund  
Los Angeles, California

### **Opinion**

We have audited the financial statements of Fulfillment Fund (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Gursey | Schneider LLP*

January 11, 2023  
Los Angeles, California

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statements of Financial Position  
June 30, 2022 and 2021

	2022	2021
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (restricted: \$292,008)	\$ 5,240,150	\$ 2,869,676
Unconditional promises to give, current portion, net	199,515	13,799
Fees for service receivable	87,450	-
Prepaid expenses	45,375	48,612
<b>TOTAL CURRENT ASSETS</b>	<b>5,572,490</b>	<b>2,932,087</b>
<b>OTHER ASSETS</b>		
Unconditional promises to give, net of current portion	1,250	7,613
Cash surrender value of life insurance policies	468,693	456,416
Deposits and other assets	17,050	17,050
Property and equipment, net	19,261	20,339
<b>TOTAL OTHER ASSETS</b>	<b>506,254</b>	<b>501,418</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,078,744</b>	<b>\$ 3,433,505</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 258,704	\$ 295,223
Loans payable - Paycheck Protection Program	-	636,732
<b>TOTAL LIABILITIES</b>	<b>258,704</b>	<b>931,955</b>
<b>NET ASSETS</b>		
Without donor restrictions	5,327,267	2,188,130
With donor restrictions	492,773	313,420
<b>TOTAL NET ASSETS</b>	<b>5,820,040</b>	<b>2,501,550</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,078,744</b>	<b>\$ 3,433,505</b>

See Accompanying Notes to Financial Statements

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 4,590,725	\$ 633,623	\$ 5,224,348
Special event income, net of \$151,334 of direct costs	315,138	136,457	451,595
In-kind contributions	16,490	-	16,490
Fees for management services	211,000	-	211,000
Loan forgiveness - PPP program	643,925	-	643,925
Investment and other income, net	<u>12,277</u>	<u>-</u>	<u>12,277</u>
Subtotal	5,789,555	770,080	6,559,635
Net assets released from restrictions	<u>590,727</u>	<u>(590,727)</u>	<u>-</u>
<b>Total Revenues and Support</b>	<u>6,380,282</u>	<u>179,353</u>	<u>6,559,635</u>
<b>EXPENSES</b>			
Program services	2,422,247	-	2,422,247
Administrative services	189,310	-	189,310
Development	<u>629,588</u>	<u>-</u>	<u>629,588</u>
<b>Total Expenses</b>	<u>3,241,145</u>	<u>-</u>	<u>3,241,145</u>
<b>CHANGE IN NET ASSETS</b>	3,139,137	179,353	3,318,490
<b>NET ASSETS, Beginning of Year</b>	<u>2,188,130</u>	<u>313,420</u>	<u>2,501,550</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 5,327,267</u>	<u>\$ 492,773</u>	<u>\$ 5,820,040</u>

See Accompanying Notes to Financial Statements

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2021

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 2,605,447	\$ 863,245	\$ 3,468,692
In-kind contributions	60,804	-	60,804
Fees for management services	16,520	-	16,520
Investment and other income, net	<u>13,973</u>	<u>-</u>	<u>13,973</u>
Subtotal	2,696,744	863,245	3,559,989
Net assets released from restrictions	<u>980,464</u>	<u>(980,464)</u>	<u>-</u>
<b>Total Revenues and Support</b>	<u>3,677,208</u>	<u>(117,219)</u>	<u>3,559,989</u>
<b>EXPENSES</b>			
Program services	2,067,416	-	2,067,416
Administrative services	219,049	-	219,049
Development	<u>575,556</u>	<u>-</u>	<u>575,556</u>
<b>Total Expenses</b>	<u>2,862,021</u>	<u>-</u>	<u>2,862,021</u>
<b>CHANGE IN NET ASSETS</b>	815,187	(117,219)	697,968
<b>NET ASSETS, Beginning of Year</b>	<u>1,372,943</u>	<u>430,639</u>	<u>1,803,582</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 2,188,130</u>	<u>\$ 313,420</u>	<u>\$ 2,501,550</u>

See Accompanying Notes to Financial Statements

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Functional Expenses  
For the Year Ended June 30, 2022

	Program Services			Support Services		Total Expenses
	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	
Awards and gifts	\$ 10,740	\$ 4,034	\$ 14,774	\$ 424	\$ 658	\$ 15,856
Conferences and training	10,364	2,554	12,918	11	311	13,240
Depreciation	3,811	2,638	6,449	1,465	1,466	9,380
Fringe benefits	162,886	118,512	281,398	13,461	64,602	359,461
In-kind goods and services	6,676	4,679	11,355	2,567	2,568	16,490
Insurance	15,205	10,527	25,732	5,848	5,848	37,428
Interest	2,922	2,023	4,945	1,124	1,124	7,193
Meals, activities, and travel	4,768	3,509	8,277	520	897	9,694
Memberships and dues	3,167	5,165	8,332	574	2,002	10,908
Mileage and parking	14,000	9,559	23,559	5,242	5,385	34,186
Outside services	95,433	72,519	167,952	34,336	113,694	315,982
Postage and delivery	2,406	1,670	4,076	638	2,689	7,403
Printing	193	133	326	60	9,452	9,838
Public relations and advertising	28	20	48	11	441	500
Rent	86,618	61,040	147,658	33,120	33,118	213,896
Salaries and temp employees	796,134	559,105	1,355,239	83,395	334,692	1,773,326
Scholarships, net	-	289,150	289,150	-	-	289,150
Software	9,359	12,850	22,209	311	42,177	64,697
Supplies	2,742	2,253	4,995	646	1,856	7,497
Telephone	19,111	13,744	32,855	5,557	6,608	45,020
<b>Total Functional Expenses</b>	<b>\$ 1,246,563</b>	<b>\$ 1,175,684</b>	<b>\$ 2,422,247</b>	<b>\$ 189,310</b>	<b>\$ 629,588</b>	<b>\$ 3,241,145</b>

See Accompanying Notes to Financial Statements



**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services			Support Services		Total Expenses
	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	
Awards and gifts	\$ 8,242	\$ 2,648	\$ 10,890	\$ 362	\$ 871	\$ 12,123
Bad debt	15,401	6,257	21,658	4,418	3,005	29,081
Conferences and training	1,016	277	1,293	136	243	1,672
Depreciation	3,153	1,676	4,829	1,184	805	6,818
Fringe benefits	105,746	75,433	181,179	10,579	51,219	242,977
In-kind goods and services	27,438	15,877	43,315	10,284	7,205	60,804
Insurance	16,678	8,865	25,543	6,260	4,257	36,060
Meals, activities, and travel	1,535	647	2,182	455	5,015	7,652
Memberships and dues	3,405	6,061	9,466	343	1,492	11,301
Mileage and parking	18,054	9,596	27,650	6,772	4,608	39,030
Outside services	150,200	79,132	229,332	46,842	137,474	413,648
Postage and delivery	697	366	1,063	252	8,197	9,512
Printing	328	174	502	122	4,424	5,048
Public relations and advertising	925	492	1,417	347	14,214	15,978
Rent	136,371	72,311	208,682	51,066	34,725	294,473
Salaries and temp employees	569,864	395,798	965,662	70,555	259,696	1,295,913
Scholarships, net	-	254,650	254,650	-	-	254,650
Software	22,868	16,130	38,998	2,128	32,172	73,298
Supplies	7,411	3,910	11,321	2,053	1,908	15,282
Telephone	18,515	9,269	27,784	4,891	4,026	36,701
<b>Total Functional Expenses</b>	<b>\$ 1,107,847</b>	<b>\$ 959,569</b>	<b>\$ 2,067,416</b>	<b>\$ 219,049</b>	<b>\$ 575,556</b>	<b>\$ 2,862,021</b>

See Accompanying Notes to Financial Statements

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Statements of Cash Flows  
For the Years Ended June 30, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 3,318,490	\$ 697,968
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	9,380	6,818
Forgiveness of paycheck protection program loan	(636,732)	-
Change in discount on unconditional promises to give	(942)	(1,097)
Change in allowance on unconditional promises to give	(1,546)	(5,169)
(Increase) decrease in assets:		
Unconditional promises to give	(176,865)	123,485
Service fees receivable	(87,450)	-
Prepaid expenses	3,237	(25,777)
Deposits and other assets	-	17,415
Cash surrender value of life insurance policies	(12,277)	(13,973)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(36,519)	(174,187)
	<b>2,378,776</b>	<b>625,483</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of property and equipment	(8,302)	(14,547)
	<b>-</b>	<b>283,932</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	283,932
	<b>2,370,474</b>	<b>894,868</b>
<b>NET INCREASE IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS</b>		
	<b>2,370,474</b>	<b>894,868</b>
<b>CASH, RESTRICTED CASH, AND CASH EQUIVALENTS; BEGINNING OF YEAR</b>	<b>2,869,676</b>	<b>1,974,808</b>
<b>END OF YEAR</b>	<b>\$ 5,240,150</b>	<b>\$ 2,869,676</b>

See Accompanying Notes to Financial Statements

**FULLFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2022 and 2021

**NOTE 1 – ORGANIZATION**

Fulfillment Fund ("the Organization") is established as a California nonprofit public benefit corporation and is one of L.A.'s oldest and largest college access and college success nonprofits. Fulfillment Fund provides forward-thinking, high quality, individualized college access and success services to students and graduates from low-income communities at our partner high schools and community organizations in Los Angeles. Founded in 1977, today Fulfillment Fund's mission is to make college a reality for students growing up in educationally and economically under-resourced communities. Our life-changing programs empower students to not only access and afford higher education, but also to graduate college successfully and build crucial life skills to pursue a career that drives economic mobility. With a proven history of reaching significant numbers of students and creating a meaningful impact in the communities we serve, our overarching goals are to provide meaningful access to postsecondary educational opportunities for high school students, and to continue supporting those students by empowering them to achieve college success on their terms. Fulfillment Fund seeks to support all students, no matter what their academic achievement, who are from communities with high need and little resources.

Fulfillment Fund seeks to partner with schools and organizations who may have some resources but lack the tools and subject matter expertise to effectively support these goals. In focusing on these pockets of high need, Fulfillment Fund establishes a sustainable business model that capitalizes on partnerships and carefully stewards the investments of the philanthropic community. Fulfillment Fund is a leading college access and success organization with a multi-pronged approach to programming. Nine in ten of Fulfillment Fund high school graduates go on to college, compared to only five in ten low-income high school graduates nationally. The Fulfillment Fund model helps to grow the college-going culture in the schools it serves as well as the broader Los Angeles community. The Fulfillment Fund College Access and Success Model promotes higher education and college-going culture in under-resourced partner schools and organizations through two primary programs: College Access Program and College Success Program.

The *College Access Program* for high school students is designed around a college-going curriculum, individualized college counseling, financial aid workshops, and experiential learning opportunities such as college tours and career exposure opportunities. *The College Success Program* helps ensure that college students have the financial support and continued guidance to reach their higher education goals. Fulfillment Fund offers guidance through a team of advisors as well as through peer mentorship. Financial support includes scholarships, textbook stipends, a transfer scholar's initiative, and internship support through a career readiness series. In addition, Fulfillment Fund continues to cultivate and leverage strategic partnerships in the community to promote service delivery. As they graduate from college, the program Alumni support the Fulfillment Fund and the next generation of students by becoming donors, volunteers, and speakers at our events, perpetuating a cycle of giving in the community.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Financial Presentation** – The financial statements are presented utilizing the accrual basis of accounting. 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:

- *Without Donor Restrictions* – are not subject to donor-imposed stipulations. These may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.
- *With Donor Restrictions* – Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in *temporarily restricted net assets*, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in *permanently restricted net assets*, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. As of June 30, 2022 and 2021, the Organization had \$492,773 and \$313,420 in donor restricted net assets, respectively.

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2022 and 2021

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

**Revenue Recognition** – Contributions and pledges are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions and pledges are recorded at their fair value as support without donor restriction or support with donor restriction, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (when a stipulated restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

From time to time, the Organization will administer scholarship programs on behalf of other charitable and private organizations. As program administrator, the Organization will receive a fee for providing scholarship management services. These revenues are recognized as income upon completion of the obligations to their customer; generally, the award of scholarships to recipient students selected by the funding entity. Revenues from providing these services are included as fee for management service income. Fees earned from management services was \$211,000 and \$16,520 for the years ended June 30, 2022 and 2021, respectively.

**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 of \$292,008 permanently restricted for an endowment. For the purpose of understanding changes in cash flows, Fulfillment Fund presents changes in restricted cash along with changes in cash and cash equivalents.

**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 net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

**Donated In-Kind Goods and Services** – Contributed non-financial assets are recognized if the goods and services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In September 2020, The FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by not-for-profit organizations. It is important to note that ASU 2020-07 does not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements. This accounting standards update is effective for fiscal years beginning after June 15, 2021. During the years ended June 30, 2022, and 2021, the Organization received \$16,490 and \$60,804, respectively, in contributed non-financial assets and adopted the presentation and disclosure requirements under ASU 2020-07.

In addition, many unpaid volunteers make 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 1,848 hours of service during the year ended June 30, 2022 and 1,992 hours during the year ended June 30, 2021.

**Property and Equipment** – Property and equipment are stated at cost, or if contributed, at fair value at the date of contribution. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than two years.

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2022 and 2021

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

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 asset's useful life or lease term. Maintenance and repair costs are charged to expense as incurred.

Gifts of 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, as well as 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 of cost or fair market value less costs to sell. The Fulfillment Fund has determined that no events occurred during the years ended June 30, 2022 and 2021 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 the level of effort, time reporting, and employee headcount.

**Concentration of Risk**

*Financial Instruments* – Financial instruments that potentially subject the Fulfillment Fund to concentrations of credit risk consist of cash, money market funds, 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.

*Unconditional Promises to Give and Contributions* – For the year ended June 30, 2022, there were two donors that made up approximately 75% of the Fulfillment Fund's unconditional promises to give. For the year-ended June 30, 2021, there were three donors that made up approximately 91% 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 not been provided for potential uncollectible amounts associated with all unconditional promises to give. For the year-ended June 30, 2022, one anonymous donor represents 53% of total revenue. For the year-ended June 30, 2021, one anonymous donor represents 28% of total revenue.

**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 continued and not in furtherance of the purposes for which it was granted exemption.

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, 2022 and 2021, the Fulfillment Fund recognized no interest or penalties.

**FULFILLMENT FUND**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2022 and 2021

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

**Outside Services** – Outside services include expenses in the following areas: professional development, graphic design work, grant writing consultation, technology, human resources, tax and auditing services, and payroll processing.

**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, 2021, 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.

**Subsequent Events** – Subsequent events have been evaluated through January 11, 2023, the date the financial statements were available to be issued.

**NOTE 3 – FACTORS AFFECTING LIQUIDITY**

The Organization’s financial assets that are not subject to donor restriction and are available within one year of June 30, 2022 and 2021, for general expenditures are as follows:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 5,240,150	\$ 2,869,676
Unconditional promises to give, current portion, net	199,515	13,799
Fees for service receivable	87,450	-
	5,527,115	2,883,475
Permanently restricted net assets	(292,008)	(292,008)
	\$ 5,235,107	\$ 2,591,467

The Organization has instituted a number of steps to monitor its liquidity position. First, management forecasts and monitors the Organization’s cash flow needs on a bi-weekly basis. Second, the finance committee and investment committee board chairs review the cash flow position and projections with management on a quarterly basis to aide in identifying any unanticipated cash flow needs. Finally, the Organization’s liquidity position is presented to the Board at quarterly board meetings for review. These monitoring tools are supplemented by a number of liquidity-generating strategies such as expansion of earned income, increased donor contributions, and close monitoring of operational efficiency. Management believes the Organization has sufficient liquidity from cash on hand plus anticipated revenues to manage operating cash flows for the coming year.

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**NOTE 4 – FAIR VALUE MEASUREMENTS**

The Fulfillment Fund’s investments are reported at fair value. 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 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 8% and 13% of total assets, respectively, as of June 30, 2022 and 2021.

As of June 30, 2022, 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
Cash surrender value of life insurance policies	\$ 468,693	\$ -	\$ -	\$ 468,693

As of June 30, 2021, 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
Cash surrender value of life insurance policies	\$ 456,416	\$ -	\$ -	\$ 456,416

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	June 30,	
	2022	2021
Balance, beginning of year	\$ 456,416	\$ 442,443
Total net gains included in changes in assets	12,277	13,973
Balance, end of year	\$ 468,693	\$ 456,416

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**NOTE 4 – FAIR VALUE MEASUREMENTS – (CONTINUED)**

Investment income, net for the years ended June 30, 2022 and 2021 are summarized as follows:

	June 30,	
	2022	2021
Change in cash surrender value of life insurance	<u>\$ 12,277</u>	<u>\$ 13,973</u>

**NOTE 5 – CONTRIBUTED NON-FINANCIAL ASSETS**

For the year ended June 30, 2022 and 2021, contributed non-financial assets recognized in the accompanying statements of activities included:

	For the Years Ended June 30,	
	2022	2021
Legal services	\$ 8,346	\$ 37,020
Marketing and advertising	3,480	11,900
Other services	2,246	6,500
Donated goods	<u>2,418</u>	<u>5,384</u>
Total in-kind goods and services	<u>\$ 16,490</u>	<u>\$ 60,804</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

*Legal services* – These contributed services are comprised of legal services from attorneys advising the Organization on various administrative legal matters. Contributed services are valued and reported at the estimated fair value based on current hours and billing rates for similar services.

*Marketing and advertising* – These contributed services are comprised of developing various marketing campaigns. Contributed services are valued and reported at the estimated fair value based on the agency’s fee schedule and job quotations.

*Other services* – The contributed services relate to other services such as design, photography, and event coordination. These amounts are valued at amounts reported by the service provider.

*Donated goods* – Donated goods consist of event tickets and other benefits for students provided by donors. These amounts are determined based on fair market value based on retail selling price or similar measure of value.



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**NOTE 6 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	June 30,	
	2022	2021
Unrestricted promises to give	\$ 98,265	\$ 20,150
Restricted to College Success Program	102,500	3,750
Gross unconditional promises to give	<u>\$ 200,765</u>	<u>\$ 23,900</u>

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

	June 30,	
	2022	2021
Within one year	\$ 199,515	\$ 14,650
One to five years	1,250	9,250
Gross unconditional promises to give	200,765	23,900
Less discount to reflect at present value	-	(942)
Less allowance for uncollectible pledges	<u>-</u>	<u>(1,546)</u>
Net unconditional promises to give	200,765	21,412
Less current portion	<u>(199,515)</u>	<u>(13,799)</u>
Long-term portion	<u>\$ 1,250</u>	<u>\$ 7,613</u>

The allowance for unconditional promises to give had the following activity in 2022 and 2021:

	June 30,	
	2022	2021
Balance, beginning of year	\$ (1,546)	\$ (6,715)
Amounts written-off (recovered)	-	34,250
Decrease / (Increase) in allowance for uncollectible pledges	<u>1,546</u>	<u>(29,081)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ (1,546)</u>

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**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30,	
	2022	2021
Computers and software	\$ 382,988	\$ 374,686
Furniture and equipment	177,588	177,588
Leasehold improvements	81,050	81,050
Property and equipment, total cost basis	641,626	633,324
Less accumulated depreciation	622,365	612,985
Total property and equipment, net	\$ 19,261	\$ 20,339

Depreciation expense was \$9,380 and \$6,818 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 8 – LOANS PAYABLE – PAYCHECK PROTECTION PROGRAM**

On April 16, 2020, and January 23, 2021, the Organization borrowed \$352,800 and \$283,932, respectively, under the Paycheck Protection Program (“PPP”). These loans were forgiven on July 26, 2021, and December 22, 2021, respectively. The accompanying statement of activities and changes in net assets for the fiscal year ended June 30, 2022, reflects the forgiven loans plus accrued interest.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS – TEMPORARILY RESTRICTED**

Temporarily restricted net assets on June 30, 2022 and 2021 consist of the following:

	June 30,	
	2022	2021
Promises to give restricted due to time	\$ 98,265	\$ 20,150
Restricted to College Success program	102,500	3,750
Gross temporarily restricted net assets	200,765	23,900
Less discount	-	(942)
Less allowance for uncollectible pledges	-	(1,546)
Temporarily restricted net assets	\$ 200,765	\$ 21,412

**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS – PERMANENTLY RESTRICTED**

In 1998, the Fulfillment Fund began receiving contributions toward an endowment fund. These funds totaling \$292,008 are classified in net assets as permanently restricted. Any interest and dividend income that was generated by the endowment funds was appropriated for general operational use. There were no new endowment funds received since the original gifts.

As of June 30, 2022 and 2021, permanently restricted net assets consisted solely of the \$292,008 from the original gifts to the endowment fund. These amounts are currently invested in cash and cash equivalents. The earnings from the endowment funds support general operations.

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**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS – PERMANENTLY RESTRICTED – (CONTINUED)**

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, of which there were none, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no such directions from the donors.

**NOTE 11 – COMMITMENTS**

Contractual Obligations

The Fulfillment Fund leases its office space under a non-cancellable operating lease that expires on August 31, 2023, and licenses computer software and equipment under a services agreement that expires at various dates through year 2025. The future minimum contractual payments required under these agreements as of June 30, 2022 are summarized as follows:

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Equipment and Software</u>	<u>Total</u>
2023	\$ 221,619	\$ 91,021	\$ 312,640
2024	37,118	91,021	128,139
2025	-	66,132	66,132
Total	<u>\$ 258,737</u>	<u>\$ 248,175</u>	<u>\$ 506,912</u>

Rent expenses was \$213,896 and \$294,473 for the years ended June 30, 2022 and 2021, respectively.

Legal Matters

In the ordinary course of business, the Organization may be subject to certain lawsuits and other potential legal actions. To management's knowledge, there are no such matters involving the Fulfillment Fund that would have any material effect on the financial position.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

Amounts due from board directors as of June 30, 2022 and 2021 amounted to \$30,000 and \$700, respectively. These receivable balances are included in unconditional promises to give on the statements of financial position.