

FULFILLMENT FUND

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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

March 26, 2024
Los Angeles, California

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (restricted: \$292,008)	\$ 926,345	\$ 5,240,150
Investments, at fair value	4,715,505	-
Unconditional promises to give, current portion, net	189,680	199,515
Fees for service receivable	79,375	87,450
Prepaid expenses and other assets	72,455	45,375
TOTAL CURRENT ASSETS	5,983,360	5,572,490
OTHER ASSETS		
Unconditional promises to give, net of current portion	96,820	1,250
Cash surrender value of life insurance policies	478,754	468,693
Deposits and other assets	17,050	17,050
Property and equipment, net	79,762	19,261
Right-of-use asset, operating lease	28,426	-
TOTAL OTHER ASSETS	700,812	506,254
TOTAL ASSETS	\$ 6,684,172	\$ 6,078,744
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 210,077	\$ 258,704
Right-of-use liability, operating lease, current portion	36,842	-
TOTAL LIABILITIES	246,919	258,704
NET ASSETS		
Without donor restrictions	5,555,506	5,327,267
With donor restrictions	881,747	492,773
TOTAL NET ASSETS	6,437,253	5,820,040
TOTAL LIABILITIES AND NET ASSETS	\$ 6,684,172	\$ 6,078,744

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, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 1,201,056	\$ 1,794,333	\$ 2,995,389
Special event income, net of \$137,623 of direct costs	395,778	7,000	402,778
In-kind contributions	128,581	-	128,581
Fees for management services	266,400	-	266,400
Investment and other income, net	<u>135,230</u>	<u>-</u>	<u>135,230</u>
Subtotal	2,127,045	1,801,333	3,928,378
Net assets released from restrictions	<u>1,412,359</u>	<u>(1,412,359)</u>	<u>-</u>
Total Revenues and Support	<u>3,539,404</u>	<u>388,974</u>	<u>3,928,378</u>
EXPENSES			
Program services	2,165,482	-	2,165,482
Administrative services	511,520	-	511,520
Development	<u>634,163</u>	<u>-</u>	<u>634,163</u>
Total Expenses	<u>3,311,165</u>	<u>-</u>	<u>3,311,165</u>
CHANGE IN NET ASSETS	228,239	388,974	617,213
NET ASSETS, Beginning of Year	<u>5,327,267</u>	<u>492,773</u>	<u>5,820,040</u>
NET ASSETS, End of Year	<u>\$ 5,555,506</u>	<u>\$ 881,747</u>	<u>\$ 6,437,253</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, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
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
Investment and other income, net	12,277	-	12,277
Loan Forgiveness - PPP Program	643,925	-	643,925
Subtotal	5,789,555	770,080	6,559,635
Net assets released from restrictions	590,727	(590,727)	-
Total Revenues and Support	6,380,282	179,353	6,559,635
EXPENSES			
Program services	2,236,186	-	2,236,186
Administrative services	439,179	-	439,179
Development	565,780	-	565,780
Total Expenses	3,241,145	-	3,241,145
CHANGE IN NET ASSETS	3,139,137	179,353	3,318,490
NET ASSETS, Beginning of Year	2,188,130	313,420	2,501,550
NET ASSETS, End of Year	\$ 5,327,267	\$ 492,773	\$ 5,820,040

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services			Support Services		Total Expenses
	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	
Awards and gifts	\$ 8,384	\$ 20,809	\$ 29,193	\$ 636	\$ 827	\$ 30,656
Bad debt	-	-	-	-	1,515	1,515
Conferences and training	1,997	1,403	3,400	237	892	4,529
Depreciation	10,222	6,460	16,682	3,726	5,146	25,554
Fringe benefits	129,460	119,645	249,105	43,683	66,887	359,675
In-kind goods and services	13,651	1,990	15,641	111,354	1,586	128,581
Insurance	15,703	9,924	25,627	5,725	7,906	39,258
Meals, activities, and travel	63,623	19,287	82,910	2,007	4,493	89,410
Memberships and dues	2,183	1,376	3,559	202	1,472	5,233
Mileage and parking	13,087	9,278	22,365	4,653	6,548	33,566
Outside services	88,313	59,901	148,214	81,335	94,653	324,202
Postage and delivery	202	2,016	2,218	60	4,740	7,018
Printing	830	573	1,403	240	5,429	7,072
Public relations and advertising	268	169	437	97	135	669
Rent	86,920	58,274	145,194	31,749	43,410	220,353
Salaries and temp employees	589,852	489,530	1,079,382	218,412	344,154	1,641,948
Scholarships, net	-	274,400	274,400	-	-	274,400
Software	10,120	16,758	26,878	1,936	35,237	64,051
Supplies	4,991	6,188	11,179	1,134	1,905	14,218
Telephone	16,411	11,284	27,695	4,334	7,228	39,257
Total Functional Expenses	\$ 1,056,217	\$ 1,109,265	\$ 2,165,482	\$ 511,520	\$ 634,163	\$ 3,311,165
% Allocation of Total Expenses	32%	33%	65%	16%	19%	100%

In-kind goods and services: The most significant item is \$120,707 for donated legal services. If we exclude the donated legal services, the percentage allocation would be 68% (Program Services), 12% (Administrative Services), and 20% (Development).

See Accompanying Notes to Financial Statements

FULLFILLMENT 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	144,165	115,299	259,464	42,596	57,401	359,461
In-kind goods and services	3,286	2,332	5,618	9,608	1,264	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	64,541	51,132	115,673	98,496	101,813	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	702,693	540,337	1,243,030	231,543	298,753	1,773,326
Scholarships, net	-	289,150	289,150	-	-	289,150
Software	12,962	15,345	28,307	1,696	34,694	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
Total Functional Expenses	\$ 1,103,722	\$ 1,132,464	\$ 2,236,186	\$ 439,179	\$ 565,780	\$ 3,241,145
% Allocation of Total Expenses	34%	35%	69%	14%	17%	100%

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 617,213	\$ 3,318,490
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization of right of use asset	8,416	-
Depreciation	25,554	9,380
Forgiveness of paycheck protection program loan	-	(636,732)
Net unrealized / realized (gains) losses on investments	(47,849)	-
Change in discount on unconditional promises to give	-	(942)
Change in allowance on unconditional promises to give	-	(1,546)
(Increase) decrease in assets:		
Unconditional promises to give	(85,735)	(176,865)
Service fees receivable	8,075	(87,450)
Prepaid expenses and other assets	(27,080)	3,237
Cash surrender value of life insurance policies	(10,061)	(12,277)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(48,627)	(36,519)
CASH PROVIDED BY OPERATING ACTIVITIES	439,906	2,378,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of investments	(4,667,656)	-
Cash paid for purchases of property and equipment	(86,055)	(8,302)
NET CASH USED IN INVESTING ACTIVITIES	(4,753,711)	(8,302)
NET INCREASE (DECREASE) IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS	(4,313,805)	2,370,474
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS; BEGINNING OF YEAR	5,240,150	2,869,676
END OF YEAR	\$ 926,345	\$ 5,240,150

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2023 and 2022

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. Fulfillment Fund's model helps to grow the college-going culture in the schools it serves as well as the broader Los Angeles community. Fulfillment Fund's 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 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 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, 2023 and 2022, the Organization had \$881,747 and \$492,773 in donor restricted net assets, respectively.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2023 and 2022

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 \$266,400 and \$211,000 for the years ended June 30, 2023 and 2022, 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 - 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 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.

During the years ended June 30, 2023, and 2022, the Organization received \$128,581 and \$16,490 respectively, in contributed non-financial assets and adopted the presentation and disclosure requirements under ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

In addition, many unpaid volunteers make significant contributions of their time to 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. Fulfillment Fund estimates that such volunteers provided 1,540 hours of service during the year ended June 30, 2023 and 1,848 hours during the year ended June 30, 2022.

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.

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.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2023 and 2022

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

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. Fulfillment Fund has determined that no events occurred during the years ended June 30, 2023 and 2022 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 Organization allocates salary, program administrative, general administrative and facilities expenses to programs based upon the employee headcount of employees working in the various departments or performing activities for program and support services.

Changes to Functional Expense Allocation – Management made changes to the allocation of functional expenses and adjusted year 2022 amounts to conform with the current year presentation.

	Program Services			Support Services		
	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	Total Expenses
For year ended June 30, 2022						
As restated % allocation	34%	35%	69%	14%	17%	100%
As reported % allocation	39%	36%	75%	6%	19%	100%

Concentration of Risk

Financial Instruments - Financial instruments that potentially subject Fulfillment Fund to concentrations of credit risk consist of cash, money market funds, and unconditional promises to give. Fulfillment Fund places its cash with high-credit, quality financial institutions. These investments are monitored by 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, 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, 2023, there were four donors that made up approximately 75% of Fulfillment Fund's unconditional promises to give. For the year-ended June 30, 2022, there were two donors that made up approximately 75% of Fulfillment Fund's unconditional promises to give. Each of these donors either has long-standing associations with Fulfillment Fund or has provided substantial financial support to 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, 2023, no donors represent more than 10% of total revenue. For the year-ended June 30, 2022, one anonymous donor represents 53% of total revenue.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2023 and 2022

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

Income Taxes - 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, 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.

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, 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, 2023 and 2022, Fulfillment Fund recognized no interest or penalties.

Leases - The Organization adopted ASU 2016-02, “Leases” (Topic 842)”, on July 1, 2022 on a prospective basis. Under this transition method, its financial results reported in periods prior to July 1, 2022 were unchanged.

The Organization determines if an arrangement is a lease at inception. Right-of-use (“ROU”) assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Organization uses its own estimated incremental borrowing rate of 6%, which is derived from information available at the lease commencement date, in determining the present value of lease payments, as the rate implicit in the lease is not readily available for such leases.

The Organization’s lease term for purposes of the computation of the present value of minimum lease payments may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. The Organization accounts for the lease and non-lease components as separate lease component.

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.

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, 2023 and 2022, for general expenditures are as follows:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 926,345	\$ 5,240,150
Investments, at fair value	4,715,505	-
Unconditional promises to give, current portion, net	189,680	199,515
Fees for service receivable	79,375	87,450
	5,910,905	5,527,115
Permanently restricted net assets	(292,008)	(292,008)
	\$ 5,618,897	\$ 5,235,107

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 3 - FACTORS AFFECTING LIQUIDITY - (CONTINUED)

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.

NOTE 4 - FAIR VALUE MEASUREMENTS

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)

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 7% and 8% of total assets, respectively, as of June 30, 2023 and 2022.

As of June 30, 2023, Fulfillment Fund's investments were classified by level within the valuation hierarchy as follows:

	Total	Fair Value Designation		
		Level 1	Level 2	Level 3
Fixed income	\$ 3,856,916	\$ -	\$ 3,856,916	\$ -
Mutual funds	858,589	858,589	-	-
Cash surrender value of life insurance policies	478,754	-	-	478,754
Total	\$ 5,194,259	\$ 858,589	\$ 3,856,916	\$ 478,754

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NOTE 4 - FAIR VALUE MEASUREMENTS – (CONTINUED)

As of June 30, 2022, 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

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

	June 30,	
	2023	2022
Balance, beginning of year	\$ 468,693	456,416
Total net gains included in changes in assets	10,061	12,277
Balance, end of year	\$ 478,754	\$ 468,693

Investment income, net for the years ended June 30, 2023 and 2022 are summarized as follows:

	June 30,	
	2023	2022
Interest and dividends	\$ 77,320	\$ -
Unrealized gains and (losses), net	47,849	-
Change in cash surrender value of life insurance	10,061	12,277
Total	\$ 135,230	\$ 12,277

NOTE 5 - CONTRIBUTED NON-FINANCIAL ASSETS

For the year ended June 30, 2023 and 2022, contributed non-financial assets recognized in the accompanying statements of activities included:

	Years Ended June 30,	
	2023	2022
Legal services	\$ 120,707	\$ 8,346
Marketing and advertising	-	3,480
Other services	7,874	2,246
Donated goods	-	2,418
Total in-kind goods and services	\$ 128,581	\$ 16,490

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 program and administrative legal matters. Services are valued and reported at the estimated fair value based on current hours and billing rates for similar services.

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NOTE 5 - CONTRIBUTED NON-FINANCIAL ASSETS – (CONTINUED)

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.

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	June 30,	
	2023	2022
Unrestricted promises to give	\$ 210,500	\$ 98,265
Restricted to College Access Program	46,000	-
Restricted to College Success Program	30,000	102,500
Gross unconditional promises to give	<u>\$ 286,500</u>	<u>\$ 200,765</u>

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

	June 30,	
	2023	2022
Within one year	\$ 189,680	\$ 199,515
One to five years	96,820	1,250
Gross unconditional promises to give	286,500	200,765
Less current portion	<u>(189,680)</u>	<u>(199,515)</u>
Long-term portion	<u>\$ 96,820</u>	<u>\$ 1,250</u>

The allowance for unconditional promises to give had the following activity in 2023 and 2022:

	June 30,	
	2023	2022
Balance, beginning of year	\$ -	\$ (1,546)
Decrease / (Increase) in allowance for uncollectible pledges	-	1,546
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

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NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2023	2022
Computers and software	\$ 469,043	\$ 382,988
Furniture and equipment	177,588	177,588
Leasehold improvements	81,050	81,050
Property and equipment, total cost basis	727,681	641,626
Less accumulated depreciation	647,919	622,365
Total property and equipment, net	<u>\$ 79,762</u>	<u>\$ 19,261</u>

Depreciation expense was \$25,554 and \$9,380 for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARILY RESTRICTED

Temporarily restricted net assets on June 30, 2023 and 2022 consist of the following:

	June 30,	
	2023	2022
Beginning Balance	\$ 200,765	\$ 21,412
New Funds	1,801,333	767,592
Release from Restrictions	(1,412,359)	(588,239)
Ending Balance	<u>\$ 589,739</u>	<u>\$ 200,765</u>

The change in temporarily restricted net assets during the years ended June 30, 2023 and 2022 are as follows:

	June 30,	
	2023	2022
Promises to give - restricted due to time	\$ 210,500	\$ 98,265
Restricted to College Access Program	46,000	-
Restricted to College Success Program	333,239	102,500
Temporarily Restricted Net Assets	<u>\$ 589,739</u>	<u>\$ 200,765</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS - PERMANENTLY RESTRICTED

In 1998, 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, 2023 and 2022, 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 9 - 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 10 - COMMITMENTS AND CONTINGENCIES

Operating Lease - Fulfillment Fund leases its office space in Los Angeles under a non-cancellable operating lease that expired on August 31, 2023. Management estimated the discount rate at 6.00% and amortizes the right-of-use operating lease liability using the effective interest method over the 14-month term.

Additional operating leases include licenses, computer software, and equipment under a services agreement that expire at various dates through year 2025.

The future minimum contractual payments required under these agreements and maturities of lease liabilities as of June 30, 2023 are summarized as follows:

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Equipment and Software</u>	<u>Total</u>
2024	\$ 37,118	\$ 91,021	\$ 128,139
2025	-	66,132	66,132
Total	<u>\$ 37,118</u>	<u>\$ 157,153</u>	<u>\$ 194,271</u>

Rent expense was \$220,353 and \$213,896 for the years ended June 30, 2023 and 2022, 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 Fulfillment Fund that would have any material effect on the financial position.

NOTE 11 - RELATED PARTY TRANSACTIONS

Amounts due from board directors as of June 30, 2023 and 2022 amounted to \$166,000 and \$30,000, respectively. These receivable balances are included in unconditional promises to give on the statements of financial position.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 26, 2024, the date the financial statements were available to be issued.

The Organization has entered into a new operating office lease beginning July 11, 2023. This lease is structured as a sublease from a sublessor where the Organization assumed the sublessors leased premises through the duration of their original lease which is August 31, 2027. The sublease agreement provides the Organization with the option to extend the lease until August 31, 2031, which the Organization expects to exercise. As a sublease, the sublessor still has continuing obligations to the landlord from the underlying original lease.

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NOTE 12 - SUBSEQUENT EVENTS – (CONTINUED)

Fulfillment Fund will adopt the recognition guidance for this new sublease following FASB ASC 842, *Leases* during the year ending June 30, 2024. The following is a summary of the minimum required rents under the new sublease agreement.

<u>Years Ending June 30,</u>	<u>Premises</u>
2024	\$ 156,510
2025	192,474
2026	198,068
2027	203,663
2028	209,923
Thereafter	<u>706,493</u>
Total	<u>\$ 1,667,131</u>