

FULFILLMENT FUND

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2024 and 2023



Gursey | 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, 2024 and 2023, 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, 2024 and 2023, 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.



May 18, 2025
Los Angeles, California

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (restricted: \$292,008)	\$ 924,362	\$ 926,345
Investments, at fair value	4,455,550	4,715,505
Unconditional promises to give, current portion	629,366	189,680
Fees for service receivable	102,970	79,375
Prepaid expenses and other assets	<u>117,855</u>	<u>72,455</u>
TOTAL CURRENT ASSETS	<u>6,230,103</u>	<u>5,983,360</u>
OTHER ASSETS		
Unconditional promises to give, net of current portion	43,000	96,820
Cash surrender value of life insurance policies	483,067	478,754
Deposits and other assets	15,651	17,050
Property and equipment, net	179,173	79,762
Right-of-use asset, operating lease	<u>1,254,636</u>	<u>28,426</u>
TOTAL OTHER ASSETS	<u>1,975,527</u>	<u>700,812</u>
TOTAL ASSETS	<u><u>\$ 8,205,630</u></u>	<u><u>\$ 6,684,172</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 550,211	\$ 210,077
Right-of-use liability, operating lease, current portion	<u>142,213</u>	<u>36,842</u>
TOTAL CURRENT LIABILITIES	692,424	246,919
OTHER LIABILITIES		
Right-of-use liability, operating lease, net of current portion	<u>1,160,052</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,852,476</u>	<u>246,919</u>
NET ASSETS		
Without donor restrictions	5,388,780	5,555,506
With donor restrictions	<u>964,374</u>	<u>881,747</u>
TOTAL NET ASSETS	<u>6,353,154</u>	<u>6,437,253</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,205,630</u></u>	<u><u>\$ 6,684,172</u></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, 2024

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Contributions	\$ 1,177,317	\$ 1,490,893	\$ 2,668,210
Special event income, net of \$91,260 of direct costs	526,091	-	526,091
In-kind contributions	85,011	-	85,011
Fees for management services	291,775	-	291,775
Investment income, net	237,161	-	237,161
Subtotal	2,317,355	1,490,893	3,808,248
Net assets released from restrictions	1,408,266	(1,408,266)	-
Total Revenues and Support	3,725,621	82,627	3,808,248
EXPENSES			
Program services	2,664,438	-	2,664,438
Administrative services	525,807	-	525,807
Development	702,102	-	702,102
Total Expenses	3,892,347	-	3,892,347
CHANGE IN NET ASSETS	(166,726)	82,627	(84,099)
NET ASSETS, Beginning of Year	5,555,506	881,747	6,437,253
NET ASSETS, End of Year	\$ 5,388,780	\$ 964,374	\$ 6,353,154

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

	Without Donor Restriction	With Donor Restriction	Total
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 income, net	135,230	-	135,230
Subtotal	2,127,045	1,801,333	3,928,378
Net assets released from restrictions	1,412,359	(1,412,359)	-
Total Revenues and Support	3,539,404	388,974	3,928,378
EXPENSES			
Program services	2,165,482	-	2,165,482
Administrative services	511,520	-	511,520
Development	634,163	-	634,163
Total Expenses	3,311,165	-	3,311,165
CHANGE IN NET ASSETS	228,239	388,974	617,213
NET ASSETS, Beginning of Year	5,327,267	492,773	5,820,040
NET ASSETS, End of Year	\$ 5,555,506	\$ 881,747	\$ 6,437,253

See Accompanying Notes to Financial Statements

FULLFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services			Support Services		
	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	Total Expenses
Awards and gifts	\$ 7,349	\$ 6,759	\$ 14,108	\$ 672	\$ 1,519	\$ 16,299
Bad debt	-	-	-	500	-	500
Conferences and training	3,242	4,747	7,989	122	269	8,380
Depreciation	17,187	14,190	31,377	8,345	8,345	48,067
Fringe benefits	126,256	128,405	254,661	50,046	78,554	383,261
In-kind goods and services	8,961	1,115	10,076	14,968	1,250	26,294
Insurance	14,761	12,187	26,948	7,166	7,167	41,281
Meals, activities, and travel	27,786	21,340	49,126	2,603	4,465	56,194
Memberships and dues	2,269	2,353	4,622	-	84	4,706
Mileage and parking	11,086	9,205	20,291	5,317	5,417	31,025
Outside services	104,219	91,343	195,562	123,654	95,652	414,868
Postage and delivery	92	107	199	44	3,364	3,607
Printing	967	821	1,788	113	9,072	10,973
Rent	103,626	86,347	189,973	49,402	49,403	288,778
Salaries and temp employees	632,130	595,921	1,228,051	253,121	389,759	1,870,931
Scholarships, net	-	519,201	519,201	-	-	519,201
Software	13,951	46,562	60,513	2,893	39,438	102,844
Supplies	12,738	14,127	26,865	2,702	2,806	32,373
Telephone	12,605	10,483	23,088	4,139	5,538	32,765
Total Functional Expenses	<u>\$ 1,099,225</u>	<u>\$ 1,565,213</u>	<u>\$ 2,664,438</u>	<u>\$ 525,807</u>	<u>\$ 702,102</u>	<u>\$ 3,892,347</u>
% Allocation of Total Expenses	<u>28%</u>	<u>40%</u>	<u>68%</u>	<u>14%</u>	<u>18%</u>	<u>100%</u>

In-kind goods and services: The most significant item is \$23,029 for donated legal services. If we exclude the donated legal services, the percentage allocation would be 69% (Program Services), 13% (Administrative Services), and 18% (Development).

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		
	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	Total Expenses
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	<u>\$ 1,056,217</u>	<u>\$ 1,109,265</u>	<u>\$ 2,165,482</u>	<u>\$ 511,520</u>	<u>\$ 634,163</u>	<u>\$ 3,311,165</u>
% Allocation of Total Expenses	<u>32%</u>	<u>33%</u>	<u>65%</u>	<u>16%</u>	<u>19%</u>	<u>100%</u>

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

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (84,099)	\$ 617,213
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Amortization of right of use asset	39,213	8,416
Depreciation	48,067	25,554
In-kind contributions - donated furniture	(54,860)	-
Net unrealized / realized (gains) losses on investments	(73,669)	(47,849)
(Increase) decrease in assets:		
Unconditional promises to give	(385,866)	(85,735)
Deposits and other assets	1,399	-
Service fees receivable	(23,595)	8,075
Prepaid expenses and other assets	(45,400)	(27,080)
Cash surrender value of life insurance policies	(4,313)	(10,061)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	340,134	(48,627)
	<u>340,134</u>	<u>(48,627)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(242,989)</u>	<u>439,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of property and equipment	(92,618)	(86,055)
Net proceeds from investments	333,624	-
Net purchases of investments	-	(4,667,656)
	<u>-</u>	<u>(4,667,656)</u>
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>241,006</u>	<u>(4,753,711)</u>
NET DECREASE IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS	<u>(1,983)</u>	<u>(4,313,805)</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS; BEGINNING OF YEAR	<u>926,345</u>	<u>5,240,150</u>
END OF YEAR	<u><u>\$ 924,362</u></u>	<u><u>\$ 926,345</u></u>

See Accompanying Notes to Financial Statements

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024 and 2023

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, 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 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 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, the 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 the 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, 2024 and 2023, the Organization had \$964,374 and \$881,747 in donor restricted net assets, respectively.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024 and 2023

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 a fee for management service income. Fees earned from management services was \$291,775 and \$266,400 for the years ended June 30, 2024 and 2023, 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.

Contributions - 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, 2024, and 2023, the Organization received \$85,011 and \$128,581 respectively, in contributed non-financial assets.

In addition, 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 1,848 hours of service during the year ended June 30, 2024 and 1,540 hours during the year ended June 30, 2023.

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.

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.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024 and 2023

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

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, 2024 and 2023 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.

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 a 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, 2024, there were three donors that made up approximately 70% of Fulfillment Fund's unconditional promises to give. For the year-ended June 30, 2023, there were four 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 years-ended June 30, 2024 and 2023, no donors represent more than 10% of total revenue.

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, 2024 and 2023, Fulfillment Fund recognized no interest or penalties.

Leases - 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 the risk-free rate of return of approximately 4.0%, 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.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2024 and 2023

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

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, 2024 and 2023, for general expenditures are as follows:

	June 30,	
	2024	2023
Cash and cash equivalents	\$ 924,362	\$ 926,345
Investments, at fair value	4,455,550	4,715,505
Unconditional promises to give, current portion	629,366	189,680
Fees for service receivable	102,970	79,375
	6,112,248	5,910,905
Permanently restricted net assets	(292,008)	(292,008)
	<u>\$ 5,820,240</u>	<u>\$ 5,618,897</u>

The Organization has instituted 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 aid 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 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 - INVESTMENTS AND 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. Input 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.

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NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - (CONTINUED)

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. As of June 30, 2024 and 2023, Fulfillment Fund's investments were classified by level within the valuation hierarchy as follows:

June 30, 2024	Total	Fair Value Designation		
		Level 1	Level 2	Level 3
Fixed income	\$ 4,455,550	\$ 2,513,823	\$ 1,941,727	\$ -
Cash surrender value of life insurance policies	483,067	-	-	483,067
Total	\$ 4,938,617	\$ 2,513,823	\$ 1,941,727	\$ 483,067
<hr/>				
June 30, 2023	Total	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	\$ 4,715,505	\$ -	\$ 478,754

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

	June 30,	
	2024	2023
Balance, beginning of year	\$ 478,754	\$ 468,693
Total net gains included in changes in assets	4,313	10,061
Balance, end of year	\$ 483,067	\$ 478,754

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NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - (CONTINUED)

Investment income, net for the years ended June 30, 2024 and 2023 are summarized as follows:

	June 30,	
	2024	2023
Interest and dividends	\$ 159,179	\$ 77,320
Unrealized gains and (losses), net	73,669	47,849
Change in cash surrender value of life insurance	4,313	10,061
Total	<u>\$ 237,161</u>	<u>\$ 135,230</u>

NOTE 5 - CONTRIBUTED NON-FINANCIAL ASSETS

For the year ended June 30, 2024 and 2023, contributed non-financial assets recognized in the accompanying statements of activities included:

	Years Ended June 30,	
	2024	2023
Legal services	\$ 23,029	\$ 120,707
Other services	2,265	7,874
Donated goods	59,717	-
Total in-kind goods and services	<u>\$ 85,011</u>	<u>\$ 128,581</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 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.

Other services - The contributed services relate to other services such as brand strategy services and discounts for Foundation events. These services are valued at amounts reported by the service provider.

Donated goods - Donated goods consist of furniture and fixtures donated at inception of the new operating lease and other benefits for students provided by donors. The value of donated goods is based on their estimated retail selling price or similar measures of fair value.

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NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	June 30,	
	2024	2023
Unrestricted promises to give	\$ 408,350	\$ 210,500
Restricted to College Access Program	82,000	46,000
Restricted to College Success Program	182,016	30,000
Gross unconditional promises to give	<u>\$ 672,366</u>	<u>\$ 286,500</u>

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

	June 30,	
	2024	2023
Within one year	\$ 629,366	\$ 189,680
One to five years	43,000	96,820
Gross unconditional promises to give	672,366	286,500
Less current portion	<u>(629,366)</u>	<u>(189,680)</u>
Long-term portion	<u>\$ 43,000</u>	<u>\$ 96,820</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Years Ended June 30,	
	2024	2023
Legal services	\$ 23,029	\$ 120,707
Other services	2,265	7,874
Donated goods	59,717	-
Total in-kind goods and services	<u>\$ 85,011</u>	<u>\$ 128,581</u>

During the year ended June 30, 2024, Fulfillment Fund disposed of \$607,989 of fully depreciated property and equipment. Depreciation expense was \$48,067 and \$25,554 for the years ended June 30, 2024 and 2023, respectively.

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NOTE 8 - SCHOLARSHIPS PAYABLE

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

	June 30,	
	2024	2023
Gross balance, beginning of year	\$ -	\$ -
New scholarships awarded	519,201	274,400
Payments made to scholarship students	(461,201)	(274,400)
Net scholarship payable - current	<u>\$ 58,000</u>	<u>\$ -</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARILY RESTRICTED

The change in temporarily restricted net assets during the years ended June 30, 2024 and 2023 are as follows:

	June 30,	
	2024	2023
Beginning Balance	\$ 589,739	\$ 200,765
New Funds	1,490,893	1,801,333
Release from Restrictions	(1,408,266)	(1,412,359)
Ending Balance	<u>\$ 672,366</u>	<u>\$ 589,739</u>

Temporarily restricted net assets on June 30, 2024 and 2023 consist of the following:

	June 30,	
	2024	2023
Promises to give restricted due to time	\$ 408,350	\$ 210,500
Restricted to College Access Program	82,000	46,000
Restricted to College Success program	182,016	30,000
Temporarily restricted net assets	<u>\$ 672,366</u>	<u>\$ 286,500</u>

NOTE 10 - 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, 2024 and 2023, 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 AND CONTINGENCIES

Operating Lease - Fulfillment Fund leases its office space in Los Angeles under a non-cancellable operating lease that expires on August 31, 2031 (including the four-year option to extend the lease). Management is reasonably certain to exercise the option to extend the lease and includes the extension in the commitment schedule below. Management estimated the discount rate at 4.06% and amortizes the right-of-use operating lease liability using the effective interest method over the 98-month term.

Additionally, Fulfillment Fund licenses computer software and office equipment under service agreements that expire at various dates through the years 2025 to 2029.

The future minimum contractual payments required under these agreements and maturities of lease liabilities as of June 30, 2024 are summarized as follows:

Years Ending June 30,	Operating Lease	License Agreement	Total
	Premises	Equipment and Software	
2025	\$ 192,474	\$ 106,887	\$ 299,361
2026	198,068	54,360	252,428
2027	203,663	12,288	215,951
2028	209,923	9,408	219,331
2029	216,317	4,704	221,021
Thereafter	490,176		490,176
Total	1,510,621	\$ 187,647	\$ 1,698,268
Less: Unamortized Discount	(208,356)		
Net Present Value	\$ 1,302,265		

Rent expense was \$288,778 and \$220,353 for the years ended June 30, 2024 and 2023, 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 12 - RELATED PARTY TRANSACTIONS

Amounts due from board directors as of June 30, 2024 and 2023 amounted to \$103,750 and \$166,000, respectively. These receivable balances are included in unconditional promises to give on the statements of financial position.

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NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 18, 2025, the date the financial statements were available to be issued.

Amendment to Operating Lease - On September 5, 2024, the Organization amended its existing lease agreement that extends the option period from four years to five years. The five-year option period is included in the ROU asset and liability table below as management expects to exercise the option.

The following is a summary of the minimum required rental payments under the amended lease agreement:

<u>Years Ending June 30,</u>	
2025	\$ 161,172
2026	198,068
2027	203,663
2028	209,923
2029	216,317
Thereafter	<u>727,251</u>
Total	1,716,394
Less: Unamortized Discount	<u>(245,411)</u>
Net Present Value	<u>\$ 1,470,983</u>

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