FULFILLMENT FUND

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2020 and 2019

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CONTENTS

Independent Auditor's Report

To the Board of Directors
Fulfillment Fund
Los Angeles, California

We have audited the accompanying financial statements of Fulfillment Fund, which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fulfillment Fund as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Events and Uncertainties

As discussed in Note 13 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Gursey | Schneider LLP

January 25, 2021
Los Angeles, California

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (restricted: $292,008)	$ 1,974,808	$ 711,156
Unconditional promises to give, current portion, net	125,811	212,587
Prepaid expenses	22,835	36,702
TOTAL CURRENT ASSETS	2,123,454	960,445
OTHER ASSETS		
Unconditional promises to give, net of current portion	12,820	30,869
Cash surrender value of life insurance policies	442,443	423,016
Deposits and other assets	34,465	40,588
Property and equipment, net	12,610	24,447
TOTAL OTHER ASSETS	502,338	518,920
TOTAL ASSETS	$ 2,625,792	$ 1,479,365
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 469,410	$ 355,613
OTHER LIABILITY		
Loan payable - Paycheck Protection Program	352,800	-
TOTAL LIABILITIES	822,210	355,613
NET ASSETS		
Without donor restrictions	1,372,943	588,288
With donor restrictions	430,639	535,464
TOTAL NET ASSETS	1,803,582	1,123,752
TOTAL LIABILITIES AND NET ASSETS	$ 2,625,792	$ 1,479,365

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Contributions	$ 3,033,119	$ 952,396	$ 3,985,515
In-kind contributions	57,708	-	57,708
Fees for management services	142,322	-	142,322
Investment and other income, net	19,427	-	19,427
Subtotal	3,252,576	952,396	4,204,972
Net assets released from restrictions	1,057,221	(1,057,221)	-
Total Revenues and Support	4,309,797	(104,825)	4,204,972
EXPENSES			
Program services	2,834,207	-	2,834,207
Administrative services	151,547	-	151,547
Development	539,388	-	539,388
Total Expenses	3,525,142	-	3,525,142
CHANGE IN NET ASSETS	784,655	(104,825)	679,830
NET ASSETS, Beginning of Year	588,288	535,464	1,123,752
NET ASSETS, End of Year	$ 1,372,943	$ 430,639	$ 1,803,582

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Contributions	$ 827,766	$ 808,994	$ 1,636,760
Special event income, net of $380,560 of direct costs	692,076	114,775	806,851
In-kind contributions	131,308	-	131,308
Fees for management services	56,514	-	56,514
Investment and other income, net	17,944	-	17,944
Subtotal	1,725,608	923,769	2,649,377
Net assets released from restrictions	872,303	(872,303)	-
Total Revenues and Support	2,597,911	51,466	2,649,377
EXPENSES			
Program services	3,293,702	-	3,293,702
Administrative services	298,348	-	298,348
Development	739,255	-	739,255
Total Expenses	4,331,305	-	4,331,305
CHANGE IN NET ASSETS	(1,733,394)	51,466	(1,681,928)
NET ASSETS, Beginning of Year	2,321,682	483,998	2,805,680
NET ASSETS, End of Year	$ 588,288	$ 535,464	$ 1,123,752

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Support Services		
	Mentor Services	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	Total Expenses
Awards and gifts	$ 29	$ 3,224	$ 462	$ 3,715	$ 60	$ 905	$ 4,680
Conferences and training	109	1,080	396	1,585	35	121	1,741
Depreciation	530	12,427	5,519	18,476	1,435	2,712	22,623
Fringe benefits	12,835	132,471	70,117	215,423	7,550	33,664	256,637
In-kind services	1,157	30,252	14,051	45,460	3,719	7,026	56,205
Insurance	697	18,226	8,466	27,389	2,241	4,233	33,863
Meals, activities, and travel	3,807	19,429	3,563	26,799	572	1,752	29,123
Memberships and dues	236	2,768	1,688	4,692	278	2,380	7,350
Mileage and parking	1,561	37,920	17,487	56,968	4,643	8,758	70,369
Outside services	6,640	153,898	72,448	232,986	18,338	116,824	368,148
Postage and delivery	173	506	177	856	44	2,391	3,291
Printing	33	1,781	401	2,215	104	2,893	5,212
Public relations and advertising	12	597	245	854	40	6,044	6,938
Rent	7,276	204,425	90,094	301,795	23,375	44,109	369,279
Repairs and maintenance	1,455	15,461	9,052	25,968	360	33,678	60,006
Salaries and temp employees	108,202	913,193	488,908	1,510,303	86,543	266,951	1,863,797
Scholarships, net	-	-	327,539	327,539	-	-	327,539
Supplies	339	4,028	966	5,333	254	1,068	6,655
Telephone	733	17,070	7,919	25,722	1,945	3,859	31,526
Unrelated business income tax	3	86	40	129	11	20	160
Total Functional Expenses	$ 145,827	$ 1,568,842	$ 1,119,538	$ 2,834,207	$ 151,547	$ 539,388	$ 3,525,142

In-kind services above includes donated goods and services. The most significant item is $54,868 for donated legal services.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services				Support Services		
	Mentor Services	College Access Program	College Success Program	Total Program Services	Administrative Services	Development	Total Expenses
Awards and gifts	$ 3,617	$ 5,600	$ 226	$ 9,443	$ 197	$ 3,607	$ 13,247
Bad debt	-	-	-	-	-	6,437	6,437
Conferences and training	18	926	876	1,820	28	54	1,902
Depreciation	2,969	12,837	2,744	18,550	4,277	2,203	25,030
Fringe benefits	54,820	182,404	31,967	269,191	12,686	60,081	341,958
In-kind services	13,118	80,787	11,594	105,499	16,490	8,495	130,484
Insurance	2,594	10,425	2,398	15,417	4,038	2,080	21,535
Meals, activities, and travel	11,011	72,908	5,857	89,776	1,475	3,557	94,808
Memberships and dues	482	1,597	1,116	3,195	404	1,504	5,103
Mileage and parking	11,205	41,796	9,722	62,723	15,834	9,626	88,183
Outside services	51,957	173,568	52,078	277,603	55,422	85,479	418,504
Postage and delivery	748	731	202	1,681	256	2,034	3,971
Printing	398	7,030	442	7,870	540	3,369	11,779
Public relations and advertising	1,344	1,538	1,316	4,198	736	1,022	5,956
Rent	47,893	212,978	45,508	306,379	73,229	37,853	417,461
Repairs and maintenance	4,023	14,342	2,227	20,592	789	34,630	56,011
Salaries and temp employees	370,762	1,100,914	235,495	1,707,171	102,826	471,629	2,281,626
Scholarships, net	-	-	347,925	347,925	-	-	347,925
Supplies	5,106	5,650	1,338	12,094	1,220	1,522	14,836
Telephone	3,040	12,664	2,794	18,498	4,214	2,174	24,886
Unrelated business income tax	2,368	9,519	2,190	14,077	3,687	1,899	19,663
Total Functional Expenses	$ 587,473	$ 1,948,214	$ 758,015	$ 3,293,702	$ 298,348	$ 739,255	$ 4,331,305

In-kind services above includes donated goods and services. The most significant items are $79,773 for donated legal services and $42,539 for venue and catering event expenses.

FULFILLMENT FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 679,830	$ (1,681,928)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	22,623	25,030
Unrealized / realized (gains) losses on investments	-	12,029
Change in discount on unconditional promises to give	(3,049)	(296)
Change in allowance on unconditional promises to give	(3,921)	(1,818)
(Increase) decrease in assets:		
Unconditional promises to give	111,795	(49,352)
Prepaid expenses	13,867	55,841
Deposits and other assets	6,123	(7,008)
Cash surrender value of life insurance policies	(19,427)	(20,753)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	113,797	(189,058)
Scholarships payable, net	-	(1,000)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	921,638	(1,858,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received for sales of investments	-	1,108,818
Cash paid for purchases of property and equipment	(10,786)	-
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(10,786)	1,108,818
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	352,800	-
NET INCREASE (DECREASE) IN CASH, RESTRICTED CASH, AND CASH EQUIVALENTS	1,263,652	(749,495)
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS; BEGINNING OF YEAR	711,156	1,460,651
END OF YEAR	$ 1,974,808	$ 711,156

See Accompanying Notes to Financial Statements

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 in Los Angeles. Founded in 1977, today the 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. With a proven track record 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 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 through two primary programs: College Access Program and College Success Program.

The College Access Program for high school students is designed around a classroom-based curriculum, individualized college counseling, financial aid workshops, and experiential learning opportunities such as college tours and Fulfillment Fund's annual signature college fair event, Destination College+. 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 though peer mentorship. Financial support includes scholarships, textbook stipends, a transfer scholar's initiative, and internship support through a professional development 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, 2020 and 2019, the Organization had $430,639 and $535,464 in donor restricted net assets, respectively.

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.

On July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers,"* as codified in ASC 606, by applying the modified retrospective method. The Organization evaluated its revenue streams to identify whether each stream would be subject to the provisions of ASC 606 and any differences in the timing, measurement, or presentation of revenue recognition compared to ASC 605, "*Revenue Recognition"* ("ASC 605"). Based on the assessment of the Organization's revenue streams, there was no effect as a result of the Organization's adoption of ASC 606.

On July 1, 2019, the Organization also adopted ASU 2018-08, "*Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*." This standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return from the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this standard on a modified prospective basis with no effect upon adoption.

The effect of the adoption of ASC 606 and ASU 2018-08 on the Organization's financial statements were examined in conjunction with one another. The Organization's revenue producing arrangements do not meet the definition of contracts under ASC 606, as the arrangements do not have commercial substance and do not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. As such, under the clarified guidance, the grant and support transactions were determined to constitute contributions per ASU 2018-08.

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.

I**nvestments** – Investments are presented at fair value. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as net assets without restrictions unless their use is restricted by donors to a specified purpose or future period. Investment income is presented net of investment direct investment management expenses.

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.

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

Donated Goods and Services – Donated services are recognized if the services received create or enhance long-lived assets, require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods are recognized at fair value at the time of contribution. Donated goods and services totaled $57,708 and $247,002 for the years ended June 30, 2020 and 2019, respectively. These amounts are included in in-kind contributions in the accompanying statements of activities. For the years ended June 30, 2020 and 2019, $0 and $115,694, respectively, of the donated goods and services is included in special event income in the accompanying statements of activities.

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 in excess of 3,000 hours of service during the years ended June 30, 2020 and 2019.

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.

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 cost or fair market value less costs to sell. The Fulfillment Fund has determined that no events occurred during the years ended June 30, 2020 and 2019 that would give rise to impairment of its long-lived assets. During the year ended June 30, 2020, the Organization disposed of $63,738 of fully depreciated leasehold improvements.

Functional Allocation of Expenses – Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on estimates determined by management. The Fulfillment Fund allocates salary, program administrative, general administrative and facilities expenses to programs based upon level of effort, time reporting and employee headcount.

Concentration of Risk
Financial Instruments – Financial instruments that potentially subject the Fulfillment Fund to concentrations of credit risk consist of cash, money market funds, agencies, and unconditional promises to give. The Fulfillment Fund places its cash with high-credit, quality financial institutions. These investments are monitored by the Fulfillment Fund's investment committee and made in the manner consistent with policies and guidelines established by the investment committee and approved by the board of directors. The Federal Deposit Insurance Corporation ("FDIC") insures cash up to $250,000 per institution and the Securities Investor Protection Corporation ("SIPC") protects investments up to $500,000 per investor. In the normal course of operations, such cash and investment balances may exceed the FDIC and SIPC insurance limits. However, the Fulfillment Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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

Unconditional Promises to Give – For the year ended June 30, 2020, there were three donors that made up approximately 47% of the Fulfillment Fund's unconditional promises to give. For the year-ended June 30, 2019, there was one individual donor that made up approximately 48% of the Fulfillment Fund's unconditional promises to give. Each of these donors either has long-standing associations with the Fulfillment Fund or has provided substantial financial support to the Fulfillment Fund. An allowance has been provided for potential uncollectible amounts associated with all unconditional promises to give.

Income Taxes – The Fulfillment Fund is exempt from federal income and excise taxes and California franchise taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and related state codes. However, the Fulfillment Fund is subject to income taxes on any net income that is derived from a trade business, regularly carried on and not in furtherance of the purposes for which it was granted exemption.

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, 2020 and 2019, the Fulfillment Fund recognized no interest or penalties.

Outside Services – Outside services include expenses in the following areas: curriculum development, program evaluation consulting, graphic design work, human resources, accounting and auditing services, bank fees and payroll processing.

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.

Reclassifications– Certain amounts from prior year have been reclassified to conform to the current year presentation.

Subsequent Events – Subsequent events have been evaluated through January 25, 2021, 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, 2020 and 2019, for general expenditures are as follows:

	June 30, 2020	June 30, 2019
Cash and cash equivalents	$ 1,974,808	$ 711,156
Unconditional promises to give, current portion, net	125,811	212,587
Subtotal	2,100,619	923,743
Permanently restricted net assets	(292,008)	(292,008)
	$ 1,808,611	$ 631,735

The Organization has instituted a number of steps to monitor its liquidity position. First, management forecasts and monitors the Organization's quarterly cash flow needs on a weekly basis. Second, the audit 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.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Fulfillment Fund's investments are reported at fair value in the accompanying statements of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the entity's own assumptions in determining fair value of investments)

The Fulfillment Fund classifies 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 17% and 29% of total assets, respectively, as of June 30, 2020 and June 30, 2019.

NOTE 4 – FAIR VALUE MEASUREMENTS – (CONTINUED)

As of June 30, 2020, the Fulfillment Fund's investments were classified by level within the valuation hierarchy as follows:

		Fair Value Designation		
	Total	Level 1	Level 2	Level 3
Cash surrender value of life insurance policies	$ 442,443	$ -	$ -	$ 442,443

As of June 30, 2019, the Fulfillment Fund's investments were classified by level within the valuation hierarchy as follows:

		Fair Value Designation		
	Total	Level 1	Level 2	Level 3
Cash surrender value of life insurance policies	$ 423,016	$ -	$ -	$ 423,016

The changes in Level 3 assets (pooled endowment fund and cash surrender value of life insurance policies) measured at fair value on a recurring basis are summarized as follows:

	June 30,	
	2020	2019
Balance, beginning of year	$ 423,016	$ 1,423,653
Net purchases, sales and other settlements	-	(987,808)
Total net gains included in changes in assets	19,427	(12,829)
Balance, end of year	$ 442,443	$ 423,016

Investment income, net for the years ended June 30, 2020 and 2019 are summarized as follows:

	June 30,	
	2020	2019
Interest and dividends	$ -	$ 13,459
Realized gains and (losses), net	-	12,721
Unrealized gains and (losses), net	-	(24,750)
Change in cash surrender value of life insurance	19,427	20,754
Investment fees	-	(4,240)
Total	$ 19,427	$ 17,944

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	June 30, 2020	June 30, 2019
Unrestricted promises to give	$ 147,067	$ 251,030
Restricted to College Access Program	-	6,250
Restricted to College Success Program	318	-
Restricted to Mentoring Program	-	1,900
Gross unconditional promises to give	$ 147,385	$ 259,180

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

	June 30, 2020	June 30, 2019
Within one year	$ 131,502	$ 220,997
One to five years	15,883	38,183
Gross unconditional promises to give	147,385	259,180
Less discount to reflect at present value	(2,039)	(5,088)
Less allowance for uncollectible pledges	(6,715)	(10,636)
Net unconditional promises to give	138,631	243,456
Less current portion	(125,811)	(212,587)
Long-term portion	$ 12,820	$ 30,869

Management applied a 2.0% discount rate for the years ended June 30, 2020 and 2019 to compute the present value of the pledge obligations.

The allowance for unconditional promises to give had the following activity in 2020 and 2019:

	June 30, 2020	June 30, 2019
Balance, beginning of year	$ (10,636)	$ (12,454)
Amounts written-off	(3,049)	8,255
Decrease / (Increase) in allowance for uncollectible pledges	6,970	(6,437)
Balance, end of year	$ (6,715)	$ (10,636)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30, 2020	June 30, 2019
Computers and software	$ 360,138	$ 349,352
Furniture and equipment	177,588	177,588
Leasehold improvements	81,050	144,788
Property and equipment, total cost basis	618,776	671,728
Less accumulated depreciation	606,166	647,281
Total	$ 12,610	$ 24,447

Depreciation expenses were $22,623 and $25,030 for the years ended June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the Organization disposed of $63,738 fully depreciated leasehold improvements.

NOTE 7 – SCHOLARSHIPS PAYABLE

The Fulfillment Fund provides scholarships to students to help support the costs of continuing the students' education. College scholarships are awarded on a semester-by-semester basis and require applicants to meet established criteria in order to continue receiving awards. Amounts payable consist of the following:

	June 30, 2020	June 30, 2019
Gross balance, beginning of year	$ -	$ 1,000
New scholarships awarded	327,539	347,925
Payments made to scholarship students	(326,739)	(348,925)
Write-offs / forfeitures	-	-
Net scholarship payable - current	$ 800	$ -

These amounts payable are included as a component of accounts payable and accrued expenses on the accompanying statement of financial position.

NOTE 8 – LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization borrowed $352,800 under the Paycheck Protection Program ("PPP"). The interest rate on the loan is 1.0% per annum. The loan matures on April 13, 2022 ("Maturity Date").

According to the loan agreement, interest payments were to commence seven months after the date of the loan. However, on June 5, 2020, the President signed into law the Paycheck Protection Program Flexibility Act of 2020 ("Flexibility Act") which statutorily extended the covered period of the loan from 8 weeks to 24 weeks from the date of loan origination. The Flexibility Act also extended the deferral period of principal and interest for up to ten months after this 24-week covered period, or the date that the SBA forgives the loan. All principal and accrued interest payments are otherwise due on the Maturity Date.

Management intends to apply for loan forgiveness for the loan and accrued interest amount. Management believes it will qualify for most of the loan to be forgiven.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS – TEMPORARILY RESTRICTED

Temporarily restricted net assets on June 30, 2020 and 2019 consist of the following:

	June 30, 2020	June 30, 2019
Promises to give restricted due to time	$ 147,067	$ 251,030
Restricted to College Access Program	-	6,250
Restricted to College Success Program	318	-
Restricted to Mentoring Program	-	1,900
Gross unconditional promises to give	147,385	259,180
Less discount	(2,039)	(5,088)
Less allowance for uncollectible pledges	(6,715)	(10,636)
Net unconditional promises to give	$ 138,631	$ 243,456

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, 2020 and 2019, 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.

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 under a service agreement that expires October 16, 2022. The future minimum contractual payments required under these agreements as of June 30, 2020 are summarized as follows:

Years Ending June 30,	Premises	Software	Total
2021	$ 340,789	$ 72,798	$ 413,587
2022	350,834	21,239	372,073
2023	361,389	-	361,389
2024	60,528	-	60,528
Total	$ 1,113,540	$ 94,037	$ 1,207,577

NOTE 11 – COMMITMENTS – (CONTINUED)

Rent expenses was $369,279 and $417,461 for the years ended June 30, 2020 and 2019, respectively.

Legal Matters

In the ordinary course of business, organizations 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, 2020 and 2019 amounted to $40,000 and $151,100, respectively. These receivable balances are included in unconditional promises to give on the statements of financial position.

NOTE 13 – GLOBAL PANDEMIC AND CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The global economy and financial markets have been impacted by the global outbreak as of the date of this report and management continues to monitor conditions. The Organization is following local, state, and federal pandemic guidance.

Also, as a result, public health responses around the world have included travel restrictions, quarantines, curfews, event cancellations, and school closures. Since the Organization operates in public schools and universities, in compliance with government mandates and to assure the health and safety of its employees, the Organization closed its school-site in-person programs on March 13, 2020 and rapidly resumed most programs through an online or virtual means. The Organization continues to provide its core programs as much as possible during the imposition of state and local government restrictions. While the pandemic necessitated the cancellation of all in person fundraising and programmatic events, the Organization continues to plan for events and programs in 2021 and outlying years.

Management shifted to a remote office setting allowing the Organization to continue providing services as necessary and appropriate. Management applied for and received a Paycheck Protection Program loan. While disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact of this matter and other effects of the global pandemic cannot be reasonably estimated at this time.