

**FULLMENT FUND**  
**(A NONPROFIT ORGANIZATION)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2011 AND 2010**

**FULFILLMENT FUND**  
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**June 30, 2011 and 2010**

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## INDEPENDENT AUDITOR'S REPORT



To the Board of Directors  
Fulfillment Fund  
Los Angeles, California

We have audited the accompanying statements of financial position of Fulfillment Fund (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*SingerLewak LLP*

SingerLewak LLP

Los Angeles, California  
September 28, 2011

**FULFILLMENT FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

| <b>ASSETS</b>  |                     |                     |
|--|---------------------|---------------------|
|  | 2011                | 2010                |
| <b>Current assets</b>                                  |                     |                     |
| Cash   | \$ 2,048,940        | \$ 2,118,179        |
| Unconditional promises to give, current portion, net   | 751,846             | 617,574             |
| Deposits and other assets                              | 57,043              | 70,001              |
| Prepaid expenses                                       | 45,761              | 50,524              |
| Total current assets                                   | 2,903,590           | 2,856,278           |
| Unconditional promises to give, net of current portion | 1,143,476           | 1,177,256           |
| Cash surrender value of life insurance policies        | 249,081             | 227,912             |
| Property and equipment, net                            | 47,144              | 86,949              |
| Restricted cash  | 292,008             | 291,915             |
| <b>Total assets</b>                                    | <b>\$ 4,635,299</b> | <b>\$ 4,640,310</b> |
| <b>LIABILITIES AND NET ASSETS</b>                      |                     |                     |
| <b>Current liabilities</b>                             |                     |                     |
| Accounts payable and accrued expenses                  | \$ 325,049          | \$ 343,846          |
| Scholarships payable, current portion, net             | 229,247             | 259,506             |
| Total current liabilities                              | 554,296             | 603,352             |
| <b>Scholarships payable, net of current portion</b>    | 64,527              | 196,701             |
| Total liabilities                                      | 618,823             | 800,053             |
| <b>Net assets</b>                                      |                     |                     |
| Unrestricted   | 1,829,146           | 1,753,512           |
| Temporarily restricted                                 | 1,895,322           | 1,794,830           |
| Permanently restricted                                 | 292,008             | 291,915             |
| Total net assets                                       | 4,016,476           | 3,840,257           |
| <b>Total liabilities and net assets</b>                | <b>\$ 4,635,299</b> | <b>\$ 4,640,310</b> |

The accompanying notes are an integral part of these financial statements.

**FULFILLMENT FUND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| <b>Revenue and support</b>  |                     |                           |                           |                     |
| Contributions   | \$ 414,205          | \$ 1,837,461              | \$ -                      | \$ 2,251,666        |
| Special event income, net of<br>\$437,121 of direct costs           | 1,433,471           | -                         | -                         | 1,433,471           |
| In-kind contributions   | 68,838              | -                         | -                         | 68,838              |
| Fees for service  | 13,819              | -                         | -                         | 13,819              |
| Sublease income   | 67,710              | -                         | -                         | 67,710              |
| Other income  | 23,940              | -                         | 93                        | 24,033              |
|   | 2,021,983           | 1,837,461                 | 93                        | 3,859,537           |
| Temporarily restricted net assets<br>released from restriction      | 1,736,969           | (1,736,969)               | -                         | -                   |
| Total revenues, support and net<br>assets released from restriction | 3,758,952           | 100,492                   | 93                        | 3,859,537           |
| <b>Expenses</b>   |                     |                           |                           |                     |
| Program services  | 2,665,879           | -                         | -                         | 2,665,879           |
| Supporting services   |                     |                           |                           |                     |
| Administrative services   | 234,504             | -                         | -                         | 234,504             |
| Development   | 782,935             | -                         | -                         | 782,935             |
|   | 3,683,318           | -                         | -                         | 3,683,318           |
| <b>Change in net assets</b>   | 75,634              | 100,492                   | 93                        | 176,219             |
| <b>Net assets, beginning of year</b>                                | 1,753,512           | 1,794,830                 | 291,915                   | 3,840,257           |
| <b>Net assets, end of year</b>                                      | <b>\$ 1,829,146</b> | <b>\$ 1,895,322</b>       | <b>\$ 292,008</b>         | <b>\$ 4,016,476</b> |

The accompanying notes are an integral part of these financial statements.

**FULFILLMENT FUND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| <b>Revenue and support</b>  |                     |                           |                           |                     |
| Contributions   | \$ 490,776          | \$ 1,508,245              | \$ -                      | \$ 1,999,021        |
| Special event income, net of<br>\$295,660 of direct costs           | 752,823             | 1,750                     | -                         | 754,573             |
| In-kind contributions   | 129,223             | -                         | -                         | 129,223             |
| Fees for service  | 29,190              | -                         | -                         | 29,190              |
| Sublease income   | 67,620              | -                         | -                         | 67,620              |
| Investment income   | -                   | -                         | 19                        | 19                  |
|   | 1,469,632           | 1,509,995                 | 19                        | 2,979,646           |
| Temporarily restricted net assets<br>released from restriction      | 1,946,112           | (1,946,112)               | -                         | -                   |
| Total revenues, support and net<br>assets released from restriction | 3,415,744           | (436,117)                 | 19                        | 2,979,646           |
| <b>Expenses</b>   |                     |                           |                           |                     |
| Program services  | 2,717,628           | -                         | -                         | 2,717,628           |
| Supporting services   |                     |                           |                           |                     |
| Administrative services   | 252,352             | -                         | -                         | 252,352             |
| Development   | 533,989             | -                         | -                         | 533,989             |
|   | 3,503,969           | -                         | -                         | 3,503,969           |
| <b>Change in net assets</b>   | (88,225)            | (436,117)                 | 19                        | (524,323)           |
| <b>Net assets, beginning of year</b>                                | 1,841,737           | 2,230,947                 | 291,896                   | 4,364,580           |
| <b>Net assets, end of year</b>                                      | <b>\$ 1,753,512</b> | <b>\$ 1,794,830</b>       | <b>\$ 291,915</b>         | <b>\$ 3,840,257</b> |

The accompanying notes are an integral part of these financial statements.

**FULFILLMENT FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2011**

| Account Name                     | Program Services  |                     |                        |                        | Support Services        |                   |                     |
|----------------------------------|-------------------|---------------------|------------------------|------------------------|-------------------------|-------------------|---------------------|
|                                  | Mentor Services   | High School Program | Post-Secondary Program | Total Program Services | Administrative Services | Development       | Total Expenses      |
| Salaries and temporary employees | \$ 474,121        | \$ 898,606          | \$ 168,370             | \$ 1,541,097           | \$ 86,447               | \$ 497,936        | \$ 2,125,480        |
| Fringe benefits                  | 69,906            | 124,539             | 21,656                 | 216,101                | 27,744                  | 66,322            | 310,167             |
| Rental expenses                  | 97,410            | 163,891             | 25,331                 | 286,632                | 64,703                  | 77,060            | 428,395             |
| Scholarships, net                | -                 | -                   | 193,194                | 193,194                | -                       | -                 | 193,194             |
| Outside services                 | 27,722            | 47,863              | 6,633                  | 82,218                 | 15,489                  | 67,392            | 165,099             |
| Meals and cultural activities    | 13,339            | 52,156              | 13,480                 | 78,975                 | 1,121                   | 3,055             | 83,151              |
| Mileage and parking              | 17,215            | 29,493              | 5,467                  | 52,175                 | 10,061                  | 13,203            | 75,439              |
| Insurance                        | 11,883            | 19,599              | 3,241                  | 34,723                 | 8,102                   | 9,645             | 52,470              |
| Depreciation                     | 9,024             | 14,926              | 2,412                  | 26,362                 | 6,131                   | 7,312             | 39,805              |
| Repairs and maintenance          | 5,028             | 13,377              | 1,996                  | 20,401                 | 1,555                   | 9,052             | 31,008              |
| Printing                         | 3,758             | 7,544               | 1,346                  | 12,648                 | 2,440                   | 8,839             | 23,927              |
| Telephone                        | 4,112             | 10,124              | 1,185                  | 15,421                 | 2,552                   | 3,095             | 21,068              |
| Supplies                         | 4,958             | 16,264              | 2,015                  | 23,237                 | 1,382                   | 1,993             | 26,612              |
| Postage and delivery             | 1,669             | 1,304               | 505                    | 3,478                  | 57                      | 5,438             | 8,973               |
| Awards and gifts                 | 1,672             | 6,947               | 1,102                  | 9,721                  | 735                     | 3,996             | 14,452              |
| Conferences and training         | 838               | 2,558               | 353                    | 3,749                  | 94                      | 94                | 3,937               |
| Memberships and dues             | 162               | 825                 | 308                    | 1,295                  | 54                      | 1,554             | 2,903               |
| In-kind contributions            | 47,297            | 14,770              | 2,385                  | 64,452                 | 5,837                   | 6,949             | 77,238              |
| <b>Total expenses</b>            | <b>\$ 790,114</b> | <b>\$ 1,424,786</b> | <b>\$ 450,979</b>      | <b>\$ 2,665,879</b>    | <b>\$ 234,504</b>       | <b>\$ 782,935</b> | <b>\$ 3,683,318</b> |

The accompanying notes are an integral part of these financial statements.

**FULFILLMENT FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2010**

| Account Name                     | Program Services  |                     |                        |                        | Support Services        |                   |                     |
|----------------------------------|-------------------|---------------------|------------------------|------------------------|-------------------------|-------------------|---------------------|
|                                  | Mentor Services   | High School Program | Post-Secondary Program | Total Program Services | Administrative Services | Development       | Total Expenses      |
| Salaries and temporary employees | \$ 519,531        | \$ 863,687          | \$ 166,748             | \$ 1,549,966           | \$ 105,559              | \$ 306,630        | \$ 1,962,155        |
| Fringe benefits                  | 72,542            | 125,587             | 21,463                 | 219,592                | 27,456                  | 40,316            | 287,364             |
| Rental expenses                  | 97,826            | 178,091             | 37,797                 | 313,714                | 64,526                  | 52,236            | 430,476             |
| Scholarships, net                | -                 | -                   | 206,932                | 206,932                | -                       | -                 | 206,932             |
| Outside services                 | 35,277            | 74,045              | 10,644                 | 119,966                | 17,527                  | 84,055            | 221,548             |
| Meals and cultural activities    | 9,973             | 33,282              | 16,149                 | 59,404                 | 1,014                   | 1,056             | 61,474              |
| Mileage and parking              | 19,774            | 35,659              | 5,675                  | 61,108                 | 10,619                  | 9,472             | 81,199              |
| Insurance                        | 12,690            | 20,292              | 6,024                  | 39,006                 | 7,865                   | 6,696             | 53,567              |
| Depreciation                     | 11,204            | 20,422              | 3,120                  | 34,746                 | 7,445                   | 6,027             | 48,218              |
| Repairs and maintenance          | 5,032             | 14,981              | 2,198                  | 22,211                 | 1,025                   | 8,366             | 31,602              |
| Printing                         | 3,257             | 5,854               | 782                    | 9,893                  | 1,833                   | 3,622             | 15,348              |
| Telephone                        | 5,198             | 14,029              | 1,600                  | 20,827                 | 3,304                   | 2,689             | 26,820              |
| Supplies                         | 3,565             | 6,120               | 2,181                  | 11,866                 | 1,286                   | 5,178             | 18,330              |
| Postage and delivery             | 1,500             | 975                 | 314                    | 2,789                  | -                       | 3,309             | 6,098               |
| Awards and gifts                 | 2,000             | 2,053               | 2,730                  | 6,783                  | 381                     | 492               | 7,656               |
| Conferences and training         | 533               | 1,481               | 188                    | 2,202                  | 236                     | 365               | 2,803               |
| Memberships and dues             | 751               | 2,457               | 604                    | 3,812                  | 111                     | 1,727             | 5,650               |
| In-kind contributions            | 15,799            | 14,834              | 2,178                  | 32,811                 | 2,165                   | 1,753             | 36,729              |
| <b>Total expenses</b>            | <b>\$ 816,452</b> | <b>\$ 1,413,849</b> | <b>\$ 487,327</b>      | <b>\$ 2,717,628</b>    | <b>\$ 252,352</b>       | <b>\$ 533,989</b> | <b>\$ 3,503,969</b> |

The accompanying notes are an integral part of these financial statements.

**FULFILLMENT FUND**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2011 and 2010

|   | 2011                | 2010                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                     |                     |
| Changes in net assets   | \$ 176,219          | \$ (524,323)        |
| Adjustments to reconcile changes in net assets to net cash used in operating activities |                     |                     |
| Depreciation  | 39,805              | 48,218              |
| In-kind contributions   | -                   | (36,527)            |
| Unrealized/realized gain on investments   | (93)                | (52)                |
| Change in discount on unconditional promises to give                                    | (22,499)            | 11,048              |
| Change in allowance on unconditional promises to give                                   | (9,226)             | 34,739              |
| Change in discount on scholarships payable  | 7,317               | 8,725               |
| Change in allowance on scholarships payable   | 36,008              | 49,437              |
| Change in operating assets and liabilities  |                     |                     |
| Unconditional promises to give  | (68,767)            | 390,330             |
| Deposits and other assets   | 12,958              | (3,339)             |
| Prepaid expenses  | 4,763               | 3,928               |
| Increase in cash surrender value of life insurance policies                             | (21,169)            | (21,649)            |
| Accounts payable and accrued expenses   | (18,797)            | 62,384              |
| Scholarships payable  | (205,758)           | (282,494)           |
| Net cash used in operating activities   | (69,239)            | (259,575)           |
| <b>Cash flows from investing activities</b>   |                     |                     |
| Sale of investments   | -                   | 95,643              |
| Net cash provided by investing activities   | -                   | 95,643              |
| <b>Net decrease in cash and cash equivalents</b>  | (69,239)            | (163,932)           |
| <b>Cash, beginning of year</b>  | 2,118,179           | 2,282,111           |
| <b>Cash, end of year</b>  | <b>\$ 2,048,940</b> | <b>\$ 2,118,179</b> |
| <b>Supplemental disclosure of cash flow information</b>                                 |                     |                     |
| Non-cash gifts  |                     |                     |
| Cash surrender value of life insurance  | <b>\$ 21,169</b>    | <b>\$ 20,230</b>    |
| <b>Total non-cash gifts</b>   | <b>\$ 21,169</b>    | <b>\$ 20,230</b>    |

The accompanying notes are an integral part of these financial statements.

**NOTE 1 – GENERAL AND ORGANIZATION**

The mission of the Fulfillment Fund is to help promising yet educationally underserved and economically disadvantaged students achieve high school graduation and access to and completion of higher education through programs that also produce systemic change. Our purpose is to mentor, guide and counsel disadvantaged students to achieve college access and success. The Fulfillment Fund operates under the premise that higher education opens a pathway out of poverty to improve the quality of life for students and their families and also provides an educated workforce for our community. Guided by our Strategic Plan, our College Access & Success model serves both high school and college students. We aim to ensure students leave high school college-ready with the values, beliefs and life skills necessary to be competitive in today's economy.

Through our High School Program, 9th–12th grade students in our partner schools receive college counseling, college site visits, SAT prep, experiential learning activities, financial aid counseling and our classroom-based College Pathways curriculum. The lessons of the curriculum are focused on five themes: high school graduation, self-advocacy and empowerment, influences of culture on decision making, self-assessment and critical reflection, and college readiness. Select students from within our High School Program receive one-on-one mentoring support from adult volunteers. We provide training and ongoing support to all student/mentor pairs. Graduates of our High School Program matriculating to college are eligible to compete for Fulfillment Fund college scholarships. As our students progress through college, our Scholarship Program provides tuition support and guidance in directing students to academic, career and workforce training services at their colleges so they can complete their degrees and embark on professional careers. In addition, we continue to cultivate and leverage strategic partnerships in the community to promote our service delivery. As they graduate from college, alumni of our program support the Organization and the next generation of students by becoming donors, mentors, volunteers and speakers at our events. In this way our work perpetuates 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. The Fulfillment Fund recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Fulfillment Fund and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties.

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

Basis of Financial Presentation (Continued)

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Fulfillment Fund and/or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
  
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by the Fulfillment Fund. Investment income generated from these funds is available for general support of the Fulfillment Fund unless otherwise stipulated by the donor. As of June 30, 2011 and 2010, the Fulfillment Fund had permanently restricted net assets of \$292,008 and \$291,915, respectively.

Cash and Cash Equivalents

The Fulfillment Fund considers highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash restricted as to use includes cash permanently restricted for an endowment.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Fulfillment Fund that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services and Equipment

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 services for program expenses totaled \$77,238 and \$36,729 for the years ended June 30, 2011 and 2010, respectively. These amounts are included in in-kind contributions in the accompanying statements of functional expenses.

A number of unpaid volunteers have made significant contributions of their time to the Fulfillment Fund. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Property and Equipment

Property and equipment are stated at cost or, if contributed, at fair value at the date of contribution. Depreciation and amortization are provided over the estimated useful life of each class of depreciable asset and are computed using the straight-line method.

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

Property and Equipment (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 and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed of

The Fulfillment Fund accounts for the impairment and disposition of long-lived assets in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“Codification” or “ASC”) Topic No. 360, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“ASC 360”). In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Further, long-lived assets held for sale are to be stated at the lower of cost or fair market value less costs to sell. The Fulfillment Fund has determined that no events occurred during the years ended June 30, 2011 and 2010 that would give rise to impairment of its long-lived assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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.

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

Concentration of Credit Risk

Financial instruments which potentially subject the Fulfillment Fund to concentrations of credit risk consist of cash, money market funds, certificates of deposit, agencies and unconditional promises to give. The Fulfillment Fund places its cash with high-credit, quality financial institutions. These investments are monitored by the Fulfillment Fund's audit committee and made in a manner consistent with policies and guidelines established by the audit committee and approved by the board of directors. Effective December 31, 2010 through December 31, 2012, the Federal Deposit Insurance Corporation ("FDIC") is providing unlimited insurance coverage on non-interest-bearing accounts. The Fulfillment Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

There are ten individual and foundation donors that make up approximately 81% of the 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 or business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

The Fulfillment Fund recognizes the impact of tax positions on the financial statements in accordance with FASB ASC Topic No. 740, "Accounting for Uncertainty in Income Taxes." ASC Topic No. 740 ("ASC 740") clarifies the uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statements No. 109, "Accounting for Income Taxes," and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, disclosure and transition. During the years ended June 30, 2011 and 2010, the Fulfillment Fund performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which may have an effect on its tax-exempt status.

The Organization's income tax returns remain subject to examination for all tax years ended on or after June 30, 2007 with regard to all tax positions and the results reported.

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

Outside Services

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

Administrative Services Expenses

Administrative services activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to the Fulfillment Fund's existence. They include oversight, finance, human resources, communications and information technology.

Allocation of Expenses

The Fulfillment Fund allocates salary, program administrative, general administrative and facilities expenses to programs based upon level of effort, time reporting and employee headcount.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). ASU 2010-06 requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation of disclosed assets and liabilities, and about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The adoption of these rules did not have a material impact on the Fulfillment Fund's financial statements.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs," to converge the guidance in US GAAP and International Financial Reporting Standards ("IFRS"). The amended guidance changes several aspects of the fair value measurement guidance in ASC Topic 820. In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011. The Fulfillment Fund is in the process of assessing the effect that the guidance will have on its financial statements.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

Effective July 1, 2008, the Fulfillment Fund adopted FASB ASC Topic No. 820, “Fair Value Measurements” (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

ASC 820 requires enhanced disclosures about financial instruments that are measured and reported at fair value. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments that would generally be included in Level 1 includes listed equity securities.
- Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies. The types of instruments that would generally be included in this category include publicly traded securities with restrictions on disposition.
- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the Fulfillment Fund. The types of instruments that would generally be included in this category include debt and equity securities issued by private entities and real estate.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

**FULFILLMENT FUND**  
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**NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)**

The Fulfillment Fund’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument. The Fulfillment Fund’s financial instruments consist primarily of cash and cash equivalents, unconditional promises to give, deposits and other assets, prepaid expenses, accounts payable and accrued expenses. The carrying values of all these financial instruments approximate fair values due to the short maturity of these instruments. The carrying amount of long-term debt approximates its fair value as the long-term debt earns or is charged interest based on the prevailing rate. The Fulfillment Fund classified its cash surrender value of the life insurance policy in the Level 3 fair value hierarchy measured at fair value as of June 30, 2011 and 2010. The total amount of assets measured using Level 3 valuation methodologies represented approximately 5% of total assets as of June 30, 2011 and June 30, 2010.

As of June 30, 2011, the Fulfillment Fund’s investments were classified by level within the valuation hierarchy as follows:

|   | <u>Total</u>      | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u>    |
|---|-------------------|----------------|----------------|-------------------|
| Cash surrender value of life insurance policies | \$ 249,081        | \$ -           | \$ -           | \$ 249,081        |
| <b>Total investments</b>                        | <b>\$ 249,081</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 249,081</b> |

As of June 30, 2010, the Fulfillment Fund’s investments were classified by level within the valuation hierarchy as follows:

|   | <u>Total</u>      | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u>    |
|---|-------------------|----------------|----------------|-------------------|
| Cash surrender value of life insurance policies | \$ 227,912        | \$ -           | \$ -           | \$ 227,912        |
| <b>Total investments</b>                        | <b>\$ 227,912</b> | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 227,912</b> |

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

|   | <u>June 30,</u>          |                          |
|---|--------------------------|--------------------------|
|   | <u>2011</u>              | <u>2010</u>              |
| Balance, beginning of year                        | \$ 227,912               | \$ 206,263               |
| Total net gains included in changes in net assets |                          |                          |
| Net gains   | <u>21,169</u>            | <u>21,649</u>            |
| <b>Balance, end of year</b>                       | <b><u>\$ 249,081</u></b> | <b><u>\$ 227,912</u></b> |

**FULFILLMENT FUND**  
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**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

|   | June 30,                   |                            |
|---|----------------------------|----------------------------|
|   | 2011                       | 2010                       |
| Unrestricted promises to give               | \$ 1,296,717               | \$ 980,650                 |
| Restricted to Post-Secondary Program        | 631,834                    | 712,589                    |
| Restricted to High School Program           | 89,000                     | 179,500                    |
| Restricted to Mentoring Services            | 43,166                     | 119,211                    |
| <b>Gross unconditional promises to give</b> | <b><u>\$ 2,060,717</u></b> | <b><u>\$ 1,991,950</u></b> |

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

|  | June 30,                   |                            |
|--|----------------------------|----------------------------|
|  | 2011                       | 2010                       |
| Within one year  | \$ 769,217                 | \$ 642,900                 |
| One to five years  | 1,290,500                  | 1,297,050                  |
| Thereafter   | 1,000                      | 52,000                     |
| Gross unconditional promises to give                                     | 2,060,717                  | 1,991,950                  |
| Less discount to reflect unconditional promises to give at present value | (107,734)                  | (130,233)                  |
| Less allowance for unconditional promises to give                        | (57,661)                   | (66,887)                   |
| <b>Net unconditional promises to give</b>                                | <b><u>\$ 1,895,322</u></b> | <b><u>\$ 1,794,830</u></b> |

A discount rate of 4% was used in the fiscal years ended June 30, 2011 and 2010. Approximately \$7,500 or .4% of gross unconditional promises to give were delinquent at June 30, 2011. Approximately \$16,500 or .8% of unconditional promises to give were delinquent at June 30, 2010.

**FULFILLMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

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**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE (Continued)**

The reserve for unconditional promises to give had the following activity in 2011 and 2010:

|   | June 30,           |                    |
|---|--------------------|--------------------|
|   | 2011               | 2010               |
| Balance, beginning of year  | \$ (66,887)        | \$ (32,148)        |
| Write-offs  | 37,300             | 94,050             |
| Reduction in (addition to) allowance for unconditional promises to give | (28,074)           | (128,789)          |
| <b>Balance, end of year</b>   | <b>\$ (57,661)</b> | <b>\$ (66,887)</b> |

The Fulfillment Fund has pledges receivable from members of the board of directors and employees, totaling \$294,500. Management has determined that these pledges are fully collectible.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

|  | June 30,         |                  |
|--|------------------|------------------|
|  | 2011             | 2010             |
| Computers and software                         | \$ 158,338       | \$ 158,338       |
| Furniture and equipment                        | 179,235          | 179,235          |
|  | 337,573          | 337,573          |
| Less accumulated depreciation and amortization | (290,429)        | (250,624)        |
| <b>Total</b>                                   | <b>\$ 47,144</b> | <b>\$ 86,949</b> |

The Fulfillment Fund incurred depreciation expense of \$39,805 and \$48,218 for the years ended June 30, 2011 and 2010, respectively.

**FULFILLMENT FUND**  
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**NOTE 6 – SCHOLARSHIPS PAYABLE**

The Fulfillment Fund provides scholarships to students to help support the costs of continuing the students' education. Scholarships payable consist of the following at June 30, 2011:

| <u>Year Ending June 30,</u>             |                          |
|---|--------------------------|
| 2012                                    | \$ 277,875               |
| 2013                                    | 74,187                   |
| 2014                                    | 6,000                    |
| 2015                                    | <u>1,500</u>             |
| Gross scholarships payable              | 359,562                  |
| Less discount                           | (2,865)                  |
| Less allowance for scholarships payable | <u>(62,923)</u>          |
| <b>Net scholarships payable</b>         | <b><u>\$ 293,774</u></b> |

Gross scholarships payable had the following activity in 2011 and 2010:

|                                      | <u>June 30,</u>          |                          |
|--------------------------------------|--------------------------|--------------------------|
|                                      | <u>2011</u>              | <u>2010</u>              |
| Balance, beginning of year           | \$ 565,320               | \$ 847,814               |
| New scholarships granted             | 201,282                  | 246,749                  |
| Payment made to scholarship students | (357,627)                | (431,264)                |
| Write-offs                           | <u>(49,413)</u>          | <u>(97,979)</u>          |
| <b>Balance, end of year</b>          | <b><u>\$ 359,562</u></b> | <b><u>\$ 565,320</u></b> |

The reserve for scholarships payable had the following activity in 2011 and 2010:

|  | <u>June 30,</u>           |                           |
|--|---------------------------|---------------------------|
|  | <u>2011</u>               | <u>2010</u>               |
| Balance, beginning of year                     | \$ (98,931)               | \$ (148,368)              |
| Write-offs                                     | 49,413                    | 97,979                    |
| Addition to allowance for scholarships payable | <u>(13,405)</u>           | <u>(48,542)</u>           |
| <b>Balance, end of year</b>                    | <b><u>\$ (62,923)</u></b> | <b><u>\$ (98,931)</u></b> |

A discount rate of 4% was used in 2011 and 2010.

**FULFILLMENT FUND**  
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**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2011 and 2010 consist of the following:

|   | June 30,                       |                                |
|---|--------------------------------|--------------------------------|
|   | 2011                           | 2010                           |
| Promises to give restricted due to time           | \$ 1,296,717                   | \$ 980,650                     |
| Restricted to Post-Secondary Program              | 631,834                        | 712,589                        |
| Restricted to High School Program                 | 89,000                         | 179,500                        |
| Restricted to Mentoring Services                  | 43,166                         | 119,211                        |
| <br>Gross unconditional promises to give          | <br>2,060,717                  | <br>1,991,950                  |
| <br>Less discount                                 | <br>(107,734)                  | <br>(130,233)                  |
| Less allowance for unconditional promises to give | (57,661)                       | (66,887)                       |
| <br><b>Net unconditional promises to give</b>     | <br><b><u>\$ 1,895,322</u></b> | <br><b><u>\$ 1,794,830</u></b> |

**NOTE 8 – ENDOWMENTS**

The Fulfillment Fund has one donor-restricted endowment fund which is held in a money market account and is classified in net assets as permanently restricted. Any interest income that is generated is permanently restricted until appropriated for general operational use by the board of directors every year, and entirely spent by the Fulfillment Fund. There were no new endowments received in the current year.

For the year ended June 30, 2011, Fulfillment Fund's endowment net assets changed as follows:

|  | Unrestricted           | Permanently<br>Restricted    | Total                        |
|--|------------------------|------------------------------|------------------------------|
| Endowment net assets, beginning of year      | \$ -                   | \$ 291,915                   | \$ 291,915                   |
| Net investment return                        |                        |                              |                              |
| Interest income                              | -                      | 93                           | 93                           |
| Appropriate of endowment                     |                        |                              |                              |
| Assets for expenditure                       | -                      | -                            | -                            |
| <br><b>Endowment net assets, end of year</b> | <br><b><u>\$ -</u></b> | <br><b><u>\$ 292,008</u></b> | <br><b><u>\$ 292,008</u></b> |

**FULFILLMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

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**NOTE 8 – ENDOWMENTS (Continued)**

For the year ended June 30, 2010, Fulfillment Fund’s endowment net assets changed as follows:

|  | <u>Unrestricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year  | \$ -                | \$ 291,896                        | \$ 291,986        |
| Net investment return                    |                     |                                   |                   |
| Interest income                          | -                   | 19                                | 19                |
| Appropriate of endowment                 |                     |                                   |                   |
| Assets for expenditure                   | -                   | -                                 | -                 |
| <b>Endowment net assets, end of year</b> | <b>\$ -</b>         | <b>\$ 291,915</b>                 | <b>\$ 291,915</b> |

**NOTE 9 – COMMITMENTS**

Lease Obligations

The Fulfillment Fund leases office space and certain equipment under operating leases that expire in February 2012 and May 2013, respectively. Future minimum lease payments under noncancelable operating leases at June 30, 2011 were as follows:

| <u>Year Ending June 30,</u> |  |                          |
|-----------------------------|--|--------------------------|
| 2012                        |  | \$ 263,458               |
| 2013                        |  | <u>31,163</u>            |
| <b>Total</b>                |  | <b>\$ <u>294,621</u></b> |

Rent expense under the operating leases, including month to month, amounted to \$428,395 and \$430,476 for the years ended June 30, 2011 and 2010, respectively.

Legal Matters

In the ordinary course of business, the Fulfillment Fund is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Fulfillment Fund.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2011 and 2010, a member of the Fulfillment Fund's board of directors serves as Executive Vice President and Division Manager of Wells Fargo Bank, which is the Fulfillment Fund's primary banking and investment relationship. During the years ended June 30, 2011 and 2010, a member of the Fulfillment Fund's board of directors also served as a member of the board at one of the schools to which the Fulfillment Fund provided services.

As discussed in Note 4, Fulfillment Fund has pledges receivable from members of the board of directors and employees, totaling \$294,500.

**NOTE 11 – SUBSEQUENT EVENTS**

Management evaluated all activity of the Fulfillment Fund through September 28, 2011 (the issue date of these financial statements) and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.