

FULFILLMENT FUND LAS VEGAS

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



HOULDSWORTH, RUSSO & COMPANY

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FULFILLMENT FUND LAS VEGAS

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors
Fulfillment Fund Las Vegas

We have audited the accompanying financial statements of Fulfillment Fund Las Vegas (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Las Vegas as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Fulfillment Fund Las Vegas' 2016 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.

Holdsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 1, 2018

Certified Public Accountants
20 YEARS & COUNTING

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FULFILLMENT FUND LAS VEGAS

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 133,715	\$ 172,832
Cash and cash equivalents, restricted	441,320	185,741
Investments	7,381,327	7,084,573
Deposits	18,060	-
Pledges receivable, current	250,000	250,000
	<u>8,224,422</u>	<u>7,693,146</u>
Property and equipment, net	<u>15,696</u>	<u>15,688</u>
Other noncurrent assets:		
Pledges receivable, net	-	240,167
	<u>\$ 8,240,118</u>	<u>\$ 7,949,001</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 87,314	\$ 131,062
Accrued expenses	50,032	51,770
Scholarships payable, current	15,000	-
	<u>152,346</u>	<u>182,832</u>
Noncurrent liabilities:		
Scholarships payable	30,000	-
	<u>182,346</u>	<u>182,832</u>
Net assets:		
Unrestricted	7,366,452	7,090,261
Temporarily restricted	691,320	675,908
	<u>8,057,772</u>	<u>7,766,169</u>
	<u>\$ 8,240,118</u>	<u>\$ 7,949,001</u>

See accompanying notes to financial statements.

FULFILLMENT FUND LAS VEGAS**STATEMENTS OF ACTIVITIES****JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets		
Revenues and support:		
Donations	\$ 735,167	\$ 645,674
Interest and dividend income	214,674	207,529
Realized and unrealized gains	698,286	-
Other income	818	1,380
Net assets released from restriction	290,167	234,286
	<u>1,939,112</u>	<u>1,088,869</u>
Expenses:		
Program	1,175,025	1,004,560
Management and general	320,244	292,819
Fundraising	167,652	120,997
	<u>1,662,921</u>	<u>1,418,376</u>
Realized and unrealized losses	-	437,480
	<u>1,662,921</u>	<u>1,855,856</u>
Increase (decrease) in unrestricted net assets	276,191	(766,987)
Changes in temporarily restricted net assets		
Donations	305,579	133,375
Net assets released from restriction	(290,167)	(234,286)
Increase (decrease) in temporarily restricted net assets	<u>15,412</u>	<u>(100,911)</u>
Increase (decrease) in net assets	291,603	(867,898)
Net assets, beginning of year	<u>7,766,169</u>	<u>8,634,067</u>
Net assets, end of year	<u>\$ 8,057,772</u>	<u>\$ 7,766,169</u>

See accompanying notes to financial statements.

FULFILLMENT FUND LAS VEGAS

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)**

	Program	Support Services			Total 2017	Total 2016
		Management and General	Fundraising			
Payroll and related costs	\$ 557,351	\$ 155,113	\$ 140,276	\$ 852,740	\$ 723,083	
Payroll fees	6,198	1,725	1,560	9,483	9,132	
College tour travel expenses	125,801	-	-	125,801	177,125	
Depreciation	3,390	944	853	5,187	3,127	
Educational program consulting	93,522	-	-	93,522	163,708	
Educational courses and supplies	83,344	5,192	-	88,536	32,732	
Insurance	58,750	16,350	14,787	89,887	52,221	
Investment fees	-	69,256	-	69,256	60,001	
Event meals	2,669	6,641	-	9,310	16,751	
Office expenses	26,331	7,328	6,627	40,286	43,205	
Professional fees	-	53,772	-	53,772	45,863	
Scholarships	176,823	-	-	176,823	9,400	
Student and parent event expenses:						
Facilities	7,772	-	-	7,772	12,117	
Food	8,485	-	-	8,485	3,763	
Supplies	10,491	-	-	10,491	13,687	
Telephone	4,269	1,188	1,075	6,532	6,149	
Travel	9,829	2,735	2,474	15,038	46,312	
Total	\$ 1,175,025	\$ 320,244	\$ 167,652	\$ 1,662,921	\$ 1,418,376	

See accompanying notes to financial statements.

FULFILLMENT FUND LAS VEGAS

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 291,603	\$ (867,898)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	5,187	3,127
Unrealized gain/loss on investments	(698,286)	437,480
Discount on pledges receivable	(9,833)	(15,715)
(Increase) decrease in operating assets:		
Prepaid expenses	-	5,993
Deposits	(18,060)	-
Pledges receivable	250,000	250,000
Increase (decrease) in operating liabilities:		
Accounts payable	(43,748)	62,149
Accrued expenses	(1,738)	13,188
Scholarships payable	45,000	-
Net cash used in operating activities	<u>(179,875)</u>	<u>(111,676)</u>
Cash flows from investing activities		
Purchases of property and equipment	(5,195)	(9,417)
Purchases of investments	(1,456,482)	(2,065,546)
Sales of investments	1,858,014	1,925,135
Change in restricted cash and equivalents	(255,579)	(133,374)
Net cash provided by (used in) investing activities	<u>140,758</u>	<u>(283,202)</u>
Net increase (decrease) in cash and cash equivalents	(39,117)	(394,878)
Cash and cash equivalents, beginning of year	<u>172,832</u>	<u>567,710</u>
Cash and cash equivalents, end of year	<u>\$ 133,715</u>	<u>\$ 172,832</u>
Summary of cash accounts:		
Cash and cash equivalents	\$ 133,715	\$ 172,832
Cash and cash equivalents, restricted	441,320	185,741
	<u>\$ 575,035</u>	<u>\$ 358,573</u>

See accompanying notes to financial statements.

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization and Activities

Fulfillment Fund Las Vegas (the Organization), a not-for-profit organization located in Las Vegas, Nevada, was established in February 2013. Fulfillment Fund Las Vegas is dedicated to making college a reality for students growing up in educationally and economically under-resourced communities.

Through classroom instruction, one-on-one college counseling, and experiential learning opportunities, Fulfillment Fund Las Vegas provides the possibility of higher education, and changes beliefs about what students are capable of achieving.

Fulfillment Fund is supported through donor contributions primarily in the Southern California and Southern Nevada regions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Fulfillment Fund Las Vegas presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Codification. Under FASB Codification, Fulfillment Fund Las Vegas is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Fulfillment Fund Las Vegas considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Fulfillment Fund Las Vegas normally capitalizes all expenditures for property and equipment in excess of \$500 and with a useful life of greater than one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits

Deposits consist of payments made for office furniture not placed in service as of June 30, 2017. The Organization expects to place the furniture in service within one year.

Scholarships Payable

During the year ended June 30, 2017, the Organization made irrevocable commitments to grant scholarships to selected students over four years of college education. Long-term scholarships payable are presented net of those expected to be paid within one year.

Revenue Recognition

Fulfillment Fund Las Vegas accounts for contributions in accordance with FASB Codification. As such, contributions are recognized as revenue when they are received, or unconditionally pledged, at their estimated net realizable value.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Income Tax Status

Fulfillment Fund Las Vegas is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates include allocation of functional expenses and discount on pledges receivable.

Impairment of Long-Lived Assets

Fulfillment Fund Las Vegas follows the provisions of FASB Codification, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Fulfillment Fund Las Vegas believes that no adjustment for impairment is necessary as of June 30, 2017 and 2016.

Gifts of Long-Lived Assets

Fulfillment Fund Las Vegas reports gifts of land, buildings, and equipment 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 temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Fulfillment Fund Las Vegas reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Comparative Financial Information

The statement of functional expenses includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the FASB Codification. Accordingly, such information should be read in conjunction with Fulfillment Fund Las Vegas' financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through March 1, 2018, which is the date the financial statements were available to be issued.

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2017 AND 2016

2. CONCENTRATIONS

As of June 30, 2017 and 2016, the Organization's unconditional promises to give were pledged by one donor. During the years ended June 30, 2017 and 2016, the Organization received approximately 93% of its revenue from two donors and 83% of its revenue from one donor, respectively.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The accounts are insured at each financial institution up to the U.S. Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000. As of June 30, 2017 and 2016, the uninsured balance was \$275,670 and \$12,141, respectively.

3. PROPERTY AND EQUIPMENT

As of June 30, property and equipment consisted of:

	<u>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 26,389	\$ 21,194
Less: accumulated depreciation	<u>(10,693)</u>	<u>(5,506)</u>
	<u>\$ 15,696</u>	<u>\$ 15,688</u>

Depreciation expense was \$5,187 and \$3,127 for the years ended June 30, 2017, and 2016, respectively.

4. INVESTMENTS

Fulfillment Fund Las Vegas' investments as of June 30, consist of the following:

	<u>2017</u>	<u>2016</u>
Equities	\$ 1,079,999	\$ 1,498,015
Mutual funds:		
Equities	3,336,344	2,905,387
Fixed income	2,463,464	2,288,428
Private equity funds	<u>501,520</u>	<u>392,743</u>
	<u>\$ 7,381,327</u>	<u>\$ 7,084,573</u>

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2017 AND 2016

4. INVESTMENTS (Continued)

The following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 inputs are quoted market prices in active markets for identical assets.

Level 2 inputs are inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Level 3 inputs are unobservable inputs for the assets.

The Fulfillment Fund Las Vegas assets valued at fair value are its investments. Fulfillment Fund Las Vegas holds all of its investments in publicly traded equities, mutual funds, and private equity funds.

The following table sets forth by level, within the fair value hierarchy, Fulfillment Fund Las Vegas' assets at fair value as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Equities	\$ 1,079,999	\$ 1,079,999	\$ -
Mutual funds:			
Equities	3,336,344	3,336,344	-
Fixed income	2,463,464	2,463,464	-
Private equity funds	<u>501,520</u>	<u>-</u>	<u>501,520</u>
	<u>\$ 7,381,327</u>	<u>\$ 6,879,807</u>	<u>\$ 501,520</u>

The following table sets forth by level, within the fair value hierarchy, Fulfillment Fund Las Vegas' assets at fair value as of June 30, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Equities	\$ 1,498,015	\$ 1,498,015	\$ -
Mutual funds:			
Equities	2,905,387	2,905,387	-
Fixed income	2,288,428	2,288,428	-
Private equity funds	<u>392,743</u>	<u>-</u>	<u>392,743</u>
	<u>\$ 7,084,573</u>	<u>\$ 6,691,830</u>	<u>\$ 392,743</u>

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2017 AND 2016

5. TRANSACTIONS WITH FULFILLMENT FUND

Fulfillment Fund Las Vegas has an agreement with Fulfillment Fund which is based in Los Angeles. The agreement requires a monthly payment of \$10,125 for programmatic support. During the months of July through December 2016, this payment was reduced based on expenses paid by Fulfillment Fund Las Vegas on behalf of Fulfillment Fund.

For the years ended June 30, 2017 and 2016, Fulfillment Fund Las Vegas incurred \$93,522 and \$121,014 in expenses under this agreement. These expenses are included in educational program consulting on the statement of functional expenses and are shown as program expenses on the statement of activities. As of June 30, 2017 and 2016, Fulfillment Fund Las Vegas held accounts payable to Fulfillment Fund totaling \$79,292 and \$113,920, respectively. Two directors of Fulfillment Fund Las Vegas are also directors at Fulfillment Fund.

6. RETIREMENT PLAN

Fulfillment Fund Las Vegas offers a simple IRA to eligible employees. Fulfillment Fund Las Vegas matches the employee salary deferral up to 3% of the employees' compensation. The total matching contribution amount for the years ended June 30, 2017 and 2016 was \$13,825 and \$21,804, respectively.

7. NATURE AND AMOUNT OF NET ASSETS

Temporarily restricted net assets represent contributions and other inflows of assets whose use by Fulfillment Fund Las Vegas is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Fulfillment Fund Las Vegas pursuant to those stipulations.

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
Chaparral and Agassi High Schools	\$ 200,320	\$ 125,741
Scholarships	226,000	60,000
College campus visits	15,000	-
Time restricted	<u>250,000</u>	<u>490,167</u>
Total temporarily restricted net assets	<u>\$ 691,320</u>	<u>\$ 675,908</u>

As of June 30, 2017, and 2016, the temporarily restricted balance consisted of \$441,320 and \$185,741 in cash and \$250,000 and \$490,167 in pledges receivable, respectively.

FULFILLMENT FUND LAS VEGAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2017 AND 2016

8. PLEDGES RECEIVABLE

The pledges receivable balance consists of unrestricted and restricted pledges. Pledges receivable to be received after one year were discounted based on the year promised at a rate of 3%. As of June 30, pledges receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 250,000	\$ 250,000
Receivable in one to five years	-	<u>250,000</u>
Total pledges receivable	\$ 250,000	\$ 500,000
Less: unamortized discount	-	<u>(9,833)</u>
Net pledges receivable	250,000	490,167
Less: current portion	<u>(250,000)</u>	<u>(250,000)</u>
Net long-term pledges receivable	<u>\$ -</u>	<u>\$ 240,167</u>

There is no allowance for pledges receivable as of June 30, 2017 and 2016, as all pledges are expected to be fully collectible.

9. CONDITIONAL PLEDGE

In September 2014, the Organization received a conditional pledge for up to \$9,463,500. The gift will be paid as students meeting selection criteria set forth by the donor are chosen by the Organization to receive scholarships toward funding their college educations. As of June 30, 2017, the Organization has recorded revenue of \$314,000 in relation to this agreement. The remaining portion of the conditional pledge will be recognized as qualifying students are selected by the Organization. Students must be selected by the end of the academic year 2018 in order for the Organization to receive payments related to this pledge.