

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION**

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CONSIDINE & CONSIDINE  
CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors  
Reality Changers  
A Nonprofit Organization  
3910 University Avenue, Suite 300-RC  
San Diego, CA 92105

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of Reality Changers, A Nonprofit Organization, as of December 31, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. The financial statements of Reality Changers, A Nonprofit Organization, as of December 31, 2009, were audited by other auditors whose report dated March 29, 2010, expressed an unqualified opinion on those statements.

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 audits 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 audit provides 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 Reality Changers, A Nonprofit Organization, as of December 31, 2010, and the results of its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



CONSIDINE & CONSIDINE  
An Accountancy Corporation

May 11, 2011

Earning Your Trust Since 1946

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

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	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 700,074	\$ 284,775
Grants Receivable (Note 3)	207,156	-
Pledges Receivable (Note 5)	8,415	-
Prepaid Expenses	7,630	539
Inventory	1,665	-
	924,940	285,314
<b>PROPERTY AND EQUIPMENT (Note 4)</b>	9,519	2,671
<b>OTHER ASSETS</b>		
Other assets (Note 6)	15,990	25,800
Pledges Receivable - Long Term (Note 5)	1,100	-
	17,090	25,800
<b>TOTAL ASSETS</b>	951,549	313,785
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	40,262	28,440
Accrued liabilities	13,950	-
<b>TOTAL LIABILITIES</b>	54,212	28,440
<b>NET ASSETS (Note 7)</b>		
Unrestricted Net Assets	652,395	152,345
Temporarily Restricted Net Assets	244,942	133,000
<b>TOTAL NET ASSETS</b>	897,337	285,345
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 951,549	\$ 313,785

See Accompanying Notes to the Financial Statements

**REALITY CHANGERS**  
**A NONPROFIT ORGANIZATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>REVENUES AND SUPPORT</b>		
Contributions	\$ 722,716	\$ 534,326
Grants	200,000	65,370
Gifts In-Kind (Note 8)	156,599	222,200
Special Events - Net (Note 9)	21,824	-
Other Income	3,192	-
	1,104,331	821,896
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Restrictions Satisfied by Payments	169,221	145,415
	1,273,552	967,311
<b>EXPENSES</b>		
Program Services	547,519	536,212
General and Administrative	105,942	160,871
Fundraising	120,041	117,883
	773,502	814,966
<b>TOTAL EXPENSES</b>	773,502	814,966
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	500,050	152,345
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	281,163	278,415
Net Assets Released from Restrictions	(169,221)	(145,415)
	111,942	133,000
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	111,942	133,000
<b>TOTAL INCREASE IN NET ASSETS</b>	611,992	285,345
<b>NET ASSETS, BEGINNING OF YEAR</b>	285,345	-
<b>NET ASSETS, END OF YEAR</b>	\$ 897,337	\$ 285,345

See Accompanying Notes to the Financial Statements

**REALITY CHANGERS**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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	Program Services	General and Administrative	Fundraising	Total
<b>EXPENSES</b>				
Bank Fees	\$ -	\$ 3,154	\$ -	\$ 3,154
Equipment	-	997	-	997
Food and Beverage	6,681	552	353	7,586
In-Kind Computer Equipment	40,710	-	-	40,710
In-Kind Scholarships	78,636	-	-	78,636
Insurance	-	4,171	-	4,171
Occupancy	-	14,903	923	15,826
Other Expense	6,333	1,319	2,131	9,783
Outside Services	(51)	2,297	5,418	7,664
Professional Fees	-	39,500	11,500	51,000
Publishing and Mailing	1,619	2,779	22,905	27,303
Salaries and Benefits	153,195	29,729	67,659	250,583
Scholarships	250,907	-	-	250,907
Supplies	3,567	4,304	1,098	8,969
Travel and Meetings	5,922	148	8,054	14,124
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>547,519</b>	<b>103,853</b>	<b>120,041</b>	<b>771,413</b>
Depreciation	-	2,089	-	2,089
<b>TOTAL EXPENSES</b>	<b>\$ 547,519</b>	<b>\$ 105,942</b>	<b>\$ 120,041</b>	<b>\$ 773,502</b>

See Accompanying Notes to the Financial Statements

**REALITY CHANGERS**  
**A NONPROFIT ORGANIZATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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	Program Services	General and Administrative	Fundraising	Total
<b>EXPENSES</b>				
Bank Fees	\$ -	\$ 518	\$ -	\$ 518
Equipment	3,862	313	3,862	8,037
Food and Beverage	5,114	-	-	5,114
In-Kind Computer Equipment	56,600	-	-	56,600
In-Kind Scholarships	95,800	-	-	95,800
Insurance	-	2,950	-	2,950
Occupancy	3,862	32,875	3,862	40,599
Other Expense	4,952	5,695	3,812	14,459
Outside Services	1,991	2,224	14,905	19,120
Professional Fees	-	31,419	-	31,419
Publishing and Mailing	5,894	-	31,177	37,071
Salaries and Benefits	66,789	76,592	54,104	197,485
Scholarships	288,095	-	-	288,095
Supplies	1,929	7,307	-	9,236
Travel and Meetings	5,186	480	10,023	15,689
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>536,212</b>	<b>160,060</b>	<b>117,883</b>	<b>814,155</b>
Depreciation	-	811	-	811
<b>TOTAL EXPENSES</b>	<b>\$ 536,212</b>	<b>\$ 160,871</b>	<b>\$ 117,883</b>	<b>\$ 814,966</b>

See Accompanying Notes to the Financial Statements

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 611,992	\$ 285,345
<b>ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	2,089	811
Donated Computer Equipment	5,010	(25,800)
Increase in Grants Receivable	(207,156)	-
Increase in Pledges Receivable	(9,515)	-
Increase in Inventory	(1,665)	-
Increase in Prepaid Expenses	(7,091)	(539)
Increase in Accounts Payable	11,822	28,440
Increase in Accrued Expenses	13,950	-
	(192,556)	2,912
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	419,436	288,257
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(4,137)	(3,482)
<b>NET INCREASE IN CASH</b>	415,299	284,775
<b>CASH, BEGINNING OF YEAR</b>	284,775	-
<b>CASH, END OF YEAR</b>	\$ 700,074	\$ 284,775
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest Paid	\$ -	\$ -
Taxes Paid	\$ -	\$ -

See Accompanying Notes to the Financial Statements

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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**NOTE 1 THE ORGANIZATION**

Reality Changers (the "Organization") is a not-for-profit corporation organized in California for charitable purposes and exempt from taxation under section 501(c)(3) of the Internal Revenue Code ("Code"). The purpose of the Organization is to provide inner-city youth from disadvantaged backgrounds with the resources to become first generation college students by providing academic support, financial assistance, and leadership training. The Organization was incorporated in January 2009.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

**Basis of Presentation** - Under accounting standards on Financial Statements of Not-for-profit Organizations, the Organization 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.

**Donor Imposed Restrictions** - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending upon the existence and/or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted or permanently restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no permanently restricted net assets at December 31, 2010 and 2009.

**Cash** - Cash includes all cash balances and highly liquid investments with original maturities of three months or less at the date of acquisition. The Organization maintains cash balances at a bank located in San Diego, California. Accounts at this institution are secured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times, balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalents.

**REALITY CHANGERS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventory - Inventory consists of T-shirts, sweatshirts and blankets which are stated at average cost.

Promises to Give - Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts are computed using an interest rate of 10%. Amortization of the discounts are not included as support until the commitments are substantially met.

Property and Equipment - The Organization's policy is to capitalize assets with a useful life of greater than one year and a value of \$500 or more at cost. Contributed property and equipment is recorded at fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets or, in the case of leasehold improvements, over the lesser of the useful life of the related asset or the lease term. Estimated useful lives range from three to ten years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Fair Value Measurement - The Organization follows accounting standards which define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements for all financial assets and liabilities. The adoption of fair value measurements has no material effects on the Organization's financial statements.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

Income Taxes - The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenues and Taxation Code.

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

The Organization follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. The adoption of these standards did not have a material effect on the Organization. As of December 31, 2010 and 2009, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the state of California. The Company is subject to examination by U.S. and state tax authorities for all years since inception in 2009.

Reclassifications - Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Total net assets and net income are unchanged due to these reclassifications.

**NOTE 3 GRANTS RECEIVABLE**

Grants receivable consists of amounts to be received from other organizations and companies and is presented net of the allowance for doubtful accounts. Management assesses the collectability of the grants at the close of each period on a specific identification basis. The allowance for doubtful accounts is \$0 at December 31, 2010 and 2009.

**NOTE 4 PROPERTY AND EQUIPMENT**

The Organization's fixed assets consisted of the following:

	2010	2009
Computers	\$ 8,130	\$ -
Furniture, Fixtures, and Equipment	4,289	3,482
	12,419	3,482
Less Accumulated Depreciation	(2,900)	(811)
	\$ 9,519	\$ 2,671

Depreciation expense was \$2,089 and \$811 for the years ended December 31, 2010 and 2009, respectively.

**REALITY CHANGERS  
A NONPROFIT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 5 PLEDGES RECEIVABLE**

Promises to give are as follows:

	2010	2009
Gross Pledges Receivable	\$ 15,850	\$ -
Less:		
Unamortized Discount	(1,130)	-
Allowance for Uncollectible Pledges	(5,205)	-
Receivable	9,515	-
Less: Current Portion	(8,415)	-
	\$ 1,100	\$ -

Long-term pledges receivable are presented at present value using a discount rate of 10%. Consequently, interest income is recognized annually as the pledges receivable accrete to maturity.

The pledges receivable are due as follows:

Less Than One Year	\$ 8,415
One to Five Years	1,100
More Than Five Years	-
	\$ 9,515

**NOTE 6 OTHER ASSETS**

Other assets consist of donated computer equipment that is to be given to graduating high school seniors upon completion of certain program objectives and is stated at estimated fair value at the date of donation.

**REALITY CHANGERS**  
**A NONPROFIT ORGANIZATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 7      NET ASSETS**

Net assets consist of the following at December 31:

	2010	2009
Unrestricted:		
Undesignated	\$ 652,395	\$ 152,345
Temporarily Restricted:		
College Scholarships	95,500	-
CA Wellness Foundation Grant	58,000	133,000
Academic Connections	40,500	-
Equipment	20,156	-
Employee Time	12,000	-
Princeton Review	7,100	-
Forest Home	6,000	-
General Restrictions	5,186	-
General Scholarships	500	-
	244,942	133,000
Total Net Assets	\$ 897,337	\$ 285,345

**NOTE 8      IN-KIND DONATIONS**

Donated services are reflected in the accompanying financial statements at estimated fair values at the date of receipt to the extent that specialized skills are required, which, if not provided by donations, would have to be purchased by the Organization. The Organization received donated professional services valued at \$30,500 and \$35,000 during 2010 and 2009, respectively. The Organization also received donated services from a variety of unpaid volunteers assisting the Organization in its charitable programs. However, these donated services are not reflected in the financial statements as they do not meet the criteria for recognition.

During the year ended December 31, 2010 and 2009, the Organization received in-kind contributions of facility space with an estimated value of \$9,923 and \$9,000, respectively.

The Organization receives computers to give to graduating high school seniors. The Organization received computers with an estimated value of approximately \$35,700 and \$82,400 for the years ended December 31, 2010 and 2009, respectively.

The Organization receives discounted tuition at educational programs for students. The Organization received approximately \$77,000 and \$96,000 in discounted tuition for the years ended December 31, 2010 and 2009, respectively.

The Organization received other contributed goods amounting to approximately \$6,900 and \$0 during the years ended December 31, 2010 and 2009, respectively.

**REALITY CHANGERS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9 SPECIAL EVENTS**

The breakdown of the activities relating to the special events for the year ended December 31, 2010 are as follows:

	<u>Bowling</u>	<u>SPARK</u>	<u>Tribute</u>	<u>Total</u>
Income	\$ 6,690	\$ 3,075	\$ 36,691	\$ 46,456
Expenses	(3,300)	(2,320)	(19,012)	(24,632)
Net	<u>\$ 3,390</u>	<u>\$ 755</u>	<u>\$ 17,679</u>	<u>\$ 21,824</u>

**NOTE 10 CONCENTRATIONS**

Significant Contracts - During 2009, the Organization was originally funded by contributions from another charitable organization that included a grant from the California Wellness Foundation in the amount of \$225,000 which accounted for 42% of the contributions received. The grant provides that grant funds be used to pay for specified salaries over a three year period. (see Note 7).

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 11, 2011, which is the date the financial statements were available to be issued.