REALITY CHANGERS
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENTS
JUNE 30, 2016

REALITY CHANGERS
A NONPROFIT ORGANIZATION

CONSIDINE & CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS
Earning Your Trust Since 1946

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Reality Changers

We have audited the accompanying financial statements of Reality Changers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities and changes in net assets, functional expenses and cash flows for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reality Changers as of June 30, 2016, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Considine & Considine

CONSIDINE & CONSIDINE
An Accountancy Corporation

February 28, 2017

REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS		
Cash	$	404,801
Contributions Receivable (Note 3)		225,000
Prepaid Expenses		12,163
		641,964
PROPERTY AND EQUIPMENT (Note 4)		27,088
TOTAL ASSETS		669,052

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable		29,050
Accrued Liabilities (Note 5)		135,120
TOTAL LIABILITIES		164,170
NET ASSETS (Note 6)		
Unrestricted Net Assets		276,612
Temporarily Restricted Net Assets		228,270
TOTAL NET ASSETS		504,882
TOTAL LIABILITIES AND NET ASSETS	$	669,052

See Accompanying Notes to the Financial Statements

REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

UNRESTRICTED NET ASSETS	
REVENUES AND SUPPORT	
Contributions	$ 780,327
Gifts In-Kind (Note 7)	48,438
Other Income	8,489
Interest Income	2
	837,256
NET ASSETS RELEASED FROM RESTRICTIONS	
Restrictions Satisfied by Payments	63,000
TOTAL UNRESTRICTED REVENUES AND SUPPORT	900,256
EXPENSES	
Program Services	531,845
General and Administrative	202,482
Fundraising	167,321
TOTAL EXPENSES	901,648
DECREASE IN UNRESTRICTED NET ASSETS	(1,392)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	3,270
Net Assets Released from Restrictions (Note 6)	(63,000)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(59,730)
CHANGE IN NET ASSETS	(61,122)
NET ASSETS, BEGINNING OF YEAR	566,004
NET ASSETS, END OF YEAR	$ 504,882

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Bank Fees	$ -	$ 1,459	$ -	$ 1,459
Equipment	-	231	4,746	4,977
Food and Beverage	4,448	833	2,259	7,540
Graduation Expenses	18,968	5,784	4,572	29,324
Insurance	-	14,659	-	14,659
Occupancy	25,925	5,505	3,885	35,315
Other Expense	330	386	92	808
Outside Services	381	1,623	25	2,029
Professional Fees	-	11,825	-	11,825
Publishing and Mailing	53	1,463	1,505	3,021
Salaries and Benefits	340,162	146,247	143,800	630,209
Scholarships	126,169	-	-	126,169
Supplies	6,087	6,379	399	12,865
Travel and Meetings	9,322	2,610	6,038	17,970
TOTAL EXPENSES BEFORE DEPRECIATION	531,845	199,004	167,321	898,170
Depreciation	-	3,478	-	3,478
TOTAL EXPENSES	$ 531,845	$ 202,482	$ 167,321	$ 901,648

REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	$ (61,122)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	3,478
Change in Operating Assets and Liabilities:	
Contributions Receivable	63,000
Prepaid Expenses	(12,163)
Accounts Payable	12,961
Accrued Expenses	4,951
	72,227
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,105
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of Property and Equipment	(3,052)
NET INCREASE IN CASH	8,053
CASH, BEGINNING OF YEAR	396,748
CASH, END OF YEAR	$ 404,801
SUPPLEMENTAL DISCLOSURES:	
Interest Paid	$ -
Taxes Paid	$ -

See Accompanying Notes to the Financial Statements

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 June 30, 2016.

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 three banks located in California, Florida and Texas. Accounts at these institutions 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable - Contributions receivable consist of unconditional promises to give and are recorded in the year the promise is made. Conditional promises are not recognized until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The Organization provides for probable losses on contributions receivable using the allowance method. The allowance is determined based on management's experience and collection efforts.

Property and Equipment - The Organization's policy is to capitalize assets with a useful life of greater than one year and a value of $5,000 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 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.

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.

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 prescribe 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. The standards also provide guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of June 30, 2016, 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.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30, 2016:

Grants Receivable (Due in less than one year)	$ 225,000

NOTE 4 PROPERTY AND EQUIPMENT

The Organization's fixed assets consisted of the following:

Computers	$ 50,909
Furniture, Fixtures, and Equipment	2,307
	53,216
Less Accumulated Depreciation	(26,128)
	$ 27,088

Depreciation expense was $3,478 for the six months ended June 30, 2016.

NOTE 5 ACCRUED LIABILITIES

Accrued Liabilities consist of the following:

Accrued Vacation	$	70,523
Accrued Payroll		45,997
Accrued Expenses		18,600
	$	135,120

NOTE 6 NET ASSETS

Net assets consist of the following at June 30, 2016:

Unrestricted:		
Undesignated	$	276,612
Temporarily Restricted:		
Core Operating Support		225,000
College Scholarships		3,000
Forest Home		270
		228,270
Total Net Assets	$	504,882

Net assets released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors during the six months ended June 30 are as follows:

		2016
Core Operating Support	$	13,000
College Apps Academy		50,000
Total Net Assets Released from Restrictions	$	63,000

NOTE 7 IN-KIND DONATIONS

The Organization receives discounted tuition at educational programs for students. The Organization received approximately $45,438 in discounted tuition for the six months ended June 30, 2016.

During the six months ended June 30, 2016, the Organization received in-kind contributions of staff development group sessions with an estimated value of $3,000.

NOTE 8 COMMITMENTS

The Organization leases office space under an operating lease that expires on June 30, 2017. The lease payments consist of a base rent, operating expenses, utilities, and janitorial expenses. The amounts in addition to base rent are subject to change based on the services provided for the month. Minimum future payments under the non-cancelable operating lease for the twelve months ended June 30 is as follows:

2017	$ 72,598

Office space rental expense was approximately $35,000 for the six months ended June 30, 2016.

NOTE 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2017 which is the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.