REALITY CHANGERS
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

REALITY CHANGERS
A NONPROFIT ORGANIZATION

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CONSIDINE & CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reality Changers as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Considine & Considine

CONSIDINE & CONSIDINE
An Accountancy Corporation

August 13, 2014

REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 544,957	$ 681,106
Grants Receivable	66,000	225,000
Pledges Receivable (Note 4)	-	25,000
Prepaid Expenses	4,846	12,727
	615,803	943,833
PROPERTY AND EQUIPMENT (Note 3)	8,923	14,872
TOTAL ASSETS	$ 624,726	$ 958,705
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 2,500	$ 4,839
Accrued Liabilities	79,421	65,630
TOTAL LIABILITIES	81,921	70,469
NET ASSETS (Note 5)		
Unrestricted Net Assets	360,305	493,318
Temporarily Restricted Net Assets	182,500	394,918
TOTAL NET ASSETS	542,805	888,236
TOTAL LIABILITIES AND NET ASSETS	$ 624,726	$ 958,705

REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Contributions	$ 863,711	$ 763,686
Gifts In-Kind (Note 6)	177,200	116,520
Other Income	63,525	11,811
Grants	-	24,000
Interest Income	158	1,117
Total Unrestricted Revenues and Support	1,104,594	917,134
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions Satisfied by Payments	444,088	489,520
TOTAL UNRESTRICTED REVENUES AND SUPPORT	1,548,682	1,406,654
EXPENSES		
Program Services	1,346,324	1,234,413
General and Administrative	188,986	183,059
Fundraising	146,385	118,158
TOTAL EXPENSES	1,681,695	1,535,630
DECREASE IN UNRESTRICTED NET ASSETS	(133,013)	(128,976)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	31,670	40,713
Grants	200,000	225,000
Net Assets Released from Restrictions (Note 6)	(444,088)	(489,520)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(212,418)	(223,807)
TOTAL DECREASE IN NET ASSETS	(345,431)	(352,783)
NET ASSETS, BEGINNING OF YEAR	888,236	1,241,019
NET ASSETS, END OF YEAR	$ 542,805	$ 888,236

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Bank Fees	$ 1,013	$ 976	$ 98	$ 2,087
Equipment	109	5,157	4,992	10,258
Food and Beverage	11,968	2,787	977	15,732
Graduaion Expenses	56,451	-	-	56,451
Insurance	-	2,904	-	2,904
Occupancy	48,307	6,526	17,154	71,987
Other Expense	10,967	3,006	394	14,367
Outside Services	2,773	11,740	2,725	17,238
Professional Fees	295	37,804	-	38,099
Publishing and Mailing	6,182	2,395	6,206	14,783
Salaries and Benefits	549,149	101,907	100,227	751,283
Scholarships	631,645	-	-	631,645
Supplies	10,200	4,879	1,105	16,184
Travel and Meetings	17,265	2,956	12,507	32,728
TOTAL EXPENSES BEFORE DEPRECIATION	1,346,324	183,037	146,385	1,675,746
Depreciation	-	5,949	-	5,949
TOTAL EXPENSES	$ 1,346,324	$ 188,986	$ 146,385	$ 1,681,695

See Accompanying Notes to the Financial Statements

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Bank Fees	$ -	$ 1,886	$ -	$ 1,886
Equipment	1,978	898	4,652	7,528
Food and Beverage	8,676	2,937	110	11,723
Graduaion Expenses	50,169	-	-	50,169
Insurance	-	3,586	-	3,586
Occupancy	40,287	10,781	15,574	66,642
Other Expense	8,007	6,650	4,209	18,866
Outside Services	821	5,671	983	7,475
Professional Fees	10	20,450	-	20,460
Publishing and Mailing	3,591	2,361	23,340	29,292
Salaries and Benefits	406,592	113,281	60,082	579,955
Scholarships	686,452	-	-	686,452
Supplies	6,146	6,190	363	12,699
Travel and Meetings	21,684	2,613	8,845	33,142
TOTAL EXPENSES BEFORE DEPRECIATION	1,234,413	177,304	118,158	1,529,875
Depreciation	-	5,755	-	5,755
TOTAL EXPENSES	$ 1,234,413	$ 183,059	$ 118,158	$ 1,535,630

See Accompanying Notes to the Financial Statements

REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS USED BY OPERATING ACTIVITIES		
Change in Net Assets	$ (345,431)	$ (352,783)
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation	5,949	5,755
Donated Computer Equipment	-	6,000
Change in Operating Assets and Liabilities:		
Grants Receivable	159,000	127,500
Pledges Receivable	25,000	(25,000)
Prepaid Expenses	7,881	998
Inventory	-	2,030
Accounts Payable	(2,339)	3,420
Accrued Expenses	13,791	28,968
	209,282	149,671
NET CASH USED BY OPERATING ACTIVITIES	(136,149)	(203,112)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(2,555)
NET DECREASE IN CASH	(136,149)	(205,667)
CASH, BEGINNING OF YEAR	681,106	886,773
CASH, END OF YEAR	$ 544,957	$ 681,106
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 December 31, 2013 and 2012.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory - Inventory consists of T-shirts, sweatshirts and blankets which are stated at average cost. During 2012, management determined that they were no longer going to sell t-shirts and would give them to volunteers. Remaining inventory totaling approximately $1,000 was written off and is included in Other Expense on the Statement of Functional Expenses for the year ended December 31, 2012.

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 a risk-free interest rate applicable to the year in which the contribution is made. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Organization provides an allowance for estimated uncollectible contributions.

Grants Receivable - Grants receivable consist of amounts to be received from other organizations and companies. The amounts are recorded when the grant is awarded. Grants receivable are shown 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, 2013 and 2012.

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 December 31, 2013 and 2012, 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 no longer subject to U.S. and California examinations by tax authorities for years before 2010 and 2009, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

The Organization's fixed assets consisted of the following:

	2013	2012
Computers	$ 25,220	$ 25,220
Furniture, Fixtures, and Equipment	2,307	4,289
	27,527	29,509
Less Accumulated Depreciation	(18,604)	(14,637)
	$ 8,923	$ 14,872

Depreciation expense was $5,949 and $5,755 for the years ended December 31, 2013 and 2012, respectively.

NOTE 4 PLEDGES RECEIVABLE

Promises to give are as follows:

	2013	2012
Gross Pledges Receivable	$ -	$ 25,000
Less:		
Unamortized Discount	-	-
Allowance for Uncollectible Pledges	-	-
Receivable	$ -	$ 25,000

Long-term pledges receivable are presented at present value using a discount rate of the risk-free interest rate applicable to the year in which the contribution is made. Consequently, interest income is recognized annually as the pledges receivable accrete to maturity. The pledges due at December 31, 2012 were collectible within a year and therefore no adjustment for present value was made.

NOTE 5 NET ASSETS

Net assets consist of the following at December 31:

	2013	2012
Unrestricted:		
Undesignated	$ 360,305	$ 493,318
Temporarily Restricted:		
Academic Connections	12,500	-
Alumni Network	41,252	-
College Apps Academy	-	41,000
College Scholarships	5,000	214,800
College Town	10,000	-
Core Operating Support	108,748	138,000
General Scholarships	5,000	-
Other Restrictions	-	1,118
	182,500	394,918
Total Net Assets	$ 542,805	$ 888,236

NOTE 5 NET ASSETS (Continued)

Net assets released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors during the years ended December 31 are as follows:

	2013	2012
Academic Connections	$ -	$ 12,500
Alumni Network	13,748	-
College Apps Academy	41,000	101,275
College Scholarships	209,800	174,200
Core Operating Support	174,252	161,635
Forest Home	-	2,000
General Scholarships	-	150
Other Restrictions	5,288	37,760
Total Net Assets Released from Restrictions	$ 444,088	$ 489,520

NOTE 6 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 approximately $0 and $11,000 during 2013 and 2012, respectively. The Organization also receives a significant amount of contributed time from volunteers. These volunteers commit to serve as tutors and mentors to the 8th - 12th grade students and help them to be the first member in their families to go to college. However, these donated services are not reflected in the financial statements as they do not meet the criteria for recognition.

The Organization receives discounted tuition at educational programs for students. The Organization received approximately $167,200 and $95,000 in discounted tuition for the years ended December 31, 2013 and 2012, respectively.

During the years ended December 31, 2013 and 2012, the Organization received in-kind contributions of facility space with an estimated value of $10,000 and $9,900, respectively.

NOTE 7 COMMITMENTS

The Organization leases office space under an operating lease that expires in August 2014. 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 rental payments under non-cancelable operating leases expiring within the year for the year ended December 31 is as follows:

2013	$ 29,076

Office space rental expense was approximately $58,000 and $57,000 for the years ended December 31, 2013 and 2012, respectively. These amounts do not include the in-kind donations of facility space (see Note 6).

NOTE 8 SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 13, 2014, 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.