

**REALITY CHANGERS
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENTS
JUNE 30, 2017**

**REALITY CHANGERS
A NONPROFIT ORGANIZATION**

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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, 2017, and the related statements of activities and changes in net assets, 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 misstatement, 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 Reality Changers as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

February 2, 2018

**REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

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ASSETS

CURRENT ASSETS

Cash	\$ 1,064,806
Accounts Receivable	39,838
Contributions Receivable (Note 3)	580,000
Prepaid Expenses	44,682
	<hr/>
	1,729,326

PROPERTY AND EQUIPMENT (Note 4)

20,079

TOTAL ASSETS

1,749,405

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	120,180
Accrued Liabilities (Note 5)	131,643
	<hr/>

TOTAL LIABILITIES

251,823

NET ASSETS (Note 6)

Unrestricted Net Assets	917,582
Temporarily Restricted Net Assets	580,000
	<hr/>

TOTAL NET ASSETS

1,497,582

TOTAL LIABILITIES AND NET ASSETS

\$ 1,749,405

See Accompanying Notes to the Financial Statements

**REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

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UNRESTRICTED NET ASSETS	
REVENUES AND SUPPORT	
Contributions	\$ 2,640,262
Gifts In-Kind (Note 7)	89,939
Other Income	7,017
Interest Income	456
Investment Loss	(2,676)
	2,734,998
 NET ASSETS RELEASED FROM RESTRICTIONS	
Restrictions Satisfied by Payments	153,270
	2,888,268
 TOTAL UNRESTRICTED REVENUES AND SUPPORT	
 EXPENSES	
Program Services	1,741,395
General and Administrative	299,326
Fundraising	206,577
	2,247,298
TOTAL EXPENSES	2,247,298
INCREASE IN UNRESTRICTED NET ASSETS	640,970
 TEMPORARILY RESTRICTED NET ASSETS	
Contributions	505,000
Net Assets Released from Restrictions (Note 6)	(153,270)
	351,730
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	351,730
CHANGE IN NET ASSETS	992,700
NET ASSETS, BEGINNING OF YEAR	504,882
NET ASSETS, END OF YEAR	\$ 1,497,582

See Accompanying Notes to the Financial Statements

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	General and Administrative	Fundraising	Total
EXPENSES				
Bank Fees	\$ 129	\$ 2,398	\$ -	\$ 2,527
Equipment	32,813	614	2,026	35,453
Food and Beverage	15,763	1,249	1,328	18,340
Graduation Expenses	15,683	1,044	21,112	37,839
Insurance	15,257	14,470	2,438	32,165
Occupancy	57,785	15,320	17,204	90,309
Other Expense	11,987	1,288	640	13,915
Outside Services	227	654	-	881
Professional Fees	-	62,578	-	62,578
Publishing and Mailing	3,833	818	8,674	13,325
Salaries and Benefits	1,083,273	169,192	141,934	1,394,399
Scholarships	425,911	-	-	425,911
Supplies	48,084	21,176	459	69,719
Travel and Meetings	30,650	1,516	10,762	42,928
TOTAL EXPENSES BEFORE DEPRECIATION	1,741,395	292,317	206,577	2,240,289
Depreciation	-	7,009	-	7,009
TOTAL EXPENSES	<u>\$ 1,741,395</u>	<u>\$ 299,326</u>	<u>\$ 206,577</u>	<u>\$ 2,247,298</u>

**REALITY CHANGERS
A NONPROFIT ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

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CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 992,700
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	7,009
Change in Operating Assets and Liabilities:	
Accounts Receivable	(39,838)
Contributions Receivable	(355,000)
Prepaid Expenses	(32,519)
Accounts Payable	91,130
Accrued Expenses	(3,477)
	(332,695)
NET INCREASE IN CASH	660,005
CASH, BEGINNING OF YEAR	404,801
CASH, END OF YEAR	\$ 1,064,806
SUPPLEMENTAL DISCLOSURES:	
Interest Paid	\$ -
Taxes Paid	\$ -

See Accompanying Notes to the Financial Statements

REALITY CHANGERS
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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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 June 30, 2017.

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.

REALITY CHANGERS
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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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 Revenue and Taxation Code.

REALITY CHANGERS
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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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, 2017, 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, 2017:

Grants Receivable (Due in less than one year)	\$ 570,000
Pledges Receivable (Due in less than one year)	10,000
	<u>\$ 580,000</u>

NOTE 4 PROPERTY AND EQUIPMENT

The Organization's fixed assets consisted of the following at June 30, 2017:

Computers	\$ 50,909
Furniture, Fixtures, and Equipment	2,307
	<u>53,216</u>
Less Accumulated Depreciation	(33,137)
	<u>\$ 20,079</u>

Depreciation expense was \$7,009 for the year ended June 30, 2017.

**REALITY CHANGERS
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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NOTE 5 ACCRUED LIABILITIES

Accrued Liabilities consist of the following at June 30, 2017:

Accrued Vacation	\$ 77,494
Accrued Payroll	54,149
	\$ 131,643

NOTE 6 NET ASSETS

Net assets consist of the following at June 30, 2017:

Unrestricted:	
Undesignated	\$ 917,582
Temporarily Restricted:	
Core Operating Support	275,000
College Town	250,000
General Scholarships	55,000
	580,000
Total Net Assets	\$ 1,497,582

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

	2017
Core Operating Support	\$ 150,000
College Scholarships	3,000
Forest Home	270
Total Net Assets Released from Restrictions	\$ 153,270

REALITY CHANGERS
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 IN-KIND DONATIONS

The Organization receives discounted tuition at educational programs for students. The Organization received approximately \$43,200 in discounted tuition for the year ended June 30, 2017.

During the year ended June 30, 2017, the Organization received in-kind contributions of facility space with an estimated value of \$10,000.

During the year ended June 30, 2017, the Organization received miscellaneous in-kind contributions with an estimated value of \$36,739.

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:

2018	\$	<u>100,511</u>
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Office space rental expense was approximately \$90,000 for the year ended June 30, 2017.

NOTE 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 2, 2018 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.