



FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

**REALITY CHANGERS
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

| | <u>Page</u> |
|-----------------------------------|-------------|
| Independent Auditor's Report | 1 - 2 |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 5 - 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 - 14 |



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Reality Changers

Report on the Financial Statements

We have audited the accompanying financial statements of Reality Changers, which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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.

To the Board of Directors
Reality Changers

Page 2

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, 2020 and 2019, 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.

Leaf & Cole LLP

San Diego, California
March 17, 2021

REALITY CHANGERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| <u>Current Assets:</u> (Notes 2 and 4) | | |
| Cash and cash equivalents | \$ 1,286,606 | \$ 1,328,623 |
| Contributions receivable | 167,738 | - |
| Accounts receivable | - | 18,071 |
| Prepaid expenses | 18,292 | - |
| Total Current Assets | <u>1,472,636</u> | <u>1,346,694</u> |
| <u>Noncurrent Assets:</u> (Notes 2, 4 and 5) | | |
| Contributions receivable, net | 272,826 | - |
| Furniture and equipment, net | 22,298 | 7,152 |
| Total Noncurrent Assets | <u>295,124</u> | <u>7,152</u> |
| TOTAL ASSETS | <u><u>\$ 1,767,760</u></u> | <u><u>\$ 1,353,846</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------------|----------------------------|
| <u>Current Liabilities:</u> (Notes 2) | | |
| Accounts payable | \$ 5,867 | \$ 63,815 |
| Accrued expenses | 176,674 | 155,443 |
| Deferred revenue | 236,337 | - |
| Total Current Liabilities | <u>418,878</u> | <u>219,258</u> |
| Total Liabilities | <u>418,878</u> | <u>219,258</u> |
| <u>Commitment and Contingencies:</u> (Notes 7 and 8) | | |
| <u>Net Assets:</u> (Notes 2 and 6) | | |
| Without donor restrictions | 921,096 | 1,049,630 |
| With donor restrictions | 427,786 | 84,958 |
| Total Net Assets | <u>1,348,882</u> | <u>1,134,588</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,767,760</u></u> | <u><u>\$ 1,353,846</u></u> |

The accompanying notes are an integral part of the financial statements.

**REALITY CHANGERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | 2020 | | | 2019 | | |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| <u>Revenue and Support:</u> | | | | | | |
| Contributions | \$ 1,773,856 | \$ 422,826 | \$ 2,196,682 | \$ 2,393,457 | \$ 69,958 | \$ 2,463,415 |
| In-kind contributions | 529,772 | - | 529,772 | 810,967 | - | 810,967 |
| Program revenue | 197,249 | - | 197,249 | 214,214 | - | 214,214 |
| Investment (loss) income | (142) | - | (142) | 1,078 | - | 1,078 |
| Net assets released from restrictions | 79,998 | (79,998) | - | 250,000 | (250,000) | - |
| Total Revenue and Support | <u>2,580,733</u> | <u>342,828</u> | <u>2,923,561</u> | <u>3,669,716</u> | <u>(180,042)</u> | <u>3,489,674</u> |
| <u>Expenses:</u> | | | | | | |
| Program Services | <u>2,059,743</u> | <u>-</u> | <u>2,059,743</u> | <u>2,809,290</u> | <u>-</u> | <u>2,809,290</u> |
| Supporting Services: | | | | | | |
| Management and general | 448,935 | - | 448,935 | 390,219 | - | 390,219 |
| Fundraising | 200,589 | - | 200,589 | 187,516 | - | 187,516 |
| Total Supporting Services | <u>649,524</u> | <u>-</u> | <u>649,524</u> | <u>577,735</u> | <u>-</u> | <u>577,735</u> |
| Total Expenses | <u>2,709,267</u> | <u>-</u> | <u>2,709,267</u> | <u>3,387,025</u> | <u>-</u> | <u>3,387,025</u> |
| Change in Net Assets | (128,534) | 342,828 | 214,294 | 282,691 | (180,042) | 102,649 |
| Net Assets at Beginning of Year | <u>1,049,630</u> | <u>84,958</u> | <u>1,134,588</u> | <u>766,939</u> | <u>265,000</u> | <u>1,031,939</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 921,096</u> | <u>\$ 427,786</u> | <u>\$ 1,348,882</u> | <u>\$ 1,049,630</u> | <u>\$ 84,958</u> | <u>\$ 1,134,588</u> |

The accompanying notes are an integral part of the financial statements.

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | Supporting Services | | Total |
|--|---------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fundraising | |
| <u>Salaries and Related Expenses:</u> | | | | |
| Salaries and wages | \$ 1,012,625 | \$ 320,107 | \$ 94,592 | \$ 1,427,324 |
| Payroll taxes and related costs | 86,911 | 24,953 | 8,533 | 120,397 |
| Employee benefits | 23,480 | 18,245 | 5,393 | 47,118 |
| Total Salaries and Related Expenses | <u>1,123,016</u> | <u>363,305</u> | <u>108,518</u> | <u>1,594,839</u> |
| <u>Nonsalary Related Expenses:</u> | | | | |
| Accounting | - | 46,227 | - | 46,227 |
| Advertising and promotion | 17,017 | 490 | 20,086 | 37,593 |
| Bank fees | 100 | 1,282 | - | 1,382 |
| Computer software and hardware | 2,807 | 25 | 3,337 | 6,169 |
| Contractor payments | 21,126 | 760 | 41,985 | 63,871 |
| Depreciation | 8,549 | - | - | 8,549 |
| Food and beverage | 4,772 | 2,734 | 204 | 7,710 |
| Gifts and recognition | 1,074 | 890 | 49 | 2,013 |
| Insurance | 29,204 | 5,368 | 5,016 | 39,588 |
| Media and outside computer service | - | 1,543 | 149 | 1,692 |
| Membership dues and meals | 5,741 | 477 | 511 | 6,729 |
| Mileage and off-site parking | 8,303 | 675 | 706 | 9,684 |
| Miscellaneous | 1,938 | 924 | 92 | 2,954 |
| Office supplies | 1,424 | 2,228 | 48 | 3,700 |
| Payroll expenses | | 3,899 | - | 3,899 |
| Printing and copying | 4,003 | 165 | 539 | 4,707 |
| Program supplies | 19,288 | - | 968 | 20,256 |
| Rent | 597,910 | 9,207 | 17,120 | 624,237 |
| Scholarships, support and awards | 157,979 | - | - | 157,979 |
| Shipping, delivery and postage | 355 | 246 | 224 | 825 |
| Special events | 42,714 | - | 716 | 43,430 |
| Staff development | 49 | 5,794 | 35 | 5,878 |
| Telephone | 6,084 | 351 | 1,364 | 7,799 |
| Transportation program related | 2,880 | 2,292 | - | 5,172 |
| Travel, conferences and meetings | 3,410 | 53 | (1,078) | 2,385 |
| Total Nonsalary Related Expenses | <u>936,727</u> | <u>85,630</u> | <u>92,071</u> | <u>1,114,428</u> |
| Total Expenses | <u>\$ 2,059,743</u> | <u>\$ 448,935</u> | <u>\$ 200,589</u> | <u>\$ 2,709,267</u> |

The accompanying notes are an integral part of the financial statements.

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | Supporting Services | | Total |
|--|----------------------------|---------------------------|--------------------------|----------------------------|
| | | Management and General | Fundraising | |
| <u>Salaries and Related Expenses:</u> | | | | |
| Salaries and wages | \$ 1,034,763 | \$ 172,850 | \$ 114,061 | \$ 1,321,674 |
| Payroll taxes and related costs | 86,947 | 13,688 | 11,324 | 111,959 |
| Employee benefits | 32,180 | 7,210 | 3,806 | 43,196 |
| Total Salaries and Related Expenses | <u>1,153,890</u> | <u>193,748</u> | <u>129,191</u> | <u>1,476,829</u> |
| <u>Nonsalary Related Expenses:</u> | | | | |
| Accounting | - | 47,790 | - | 47,790 |
| Advertising and promotion | 5,250 | 21,803 | 1,047 | 28,100 |
| Bank Fees | 2,920 | - | - | 2,920 |
| Computer software and hardware | 19,690 | 186 | 4,179 | 24,055 |
| Contractor payments | 26,885 | 76,711 | 19,482 | 123,078 |
| Depreciation | 6,460 | - | - | 6,460 |
| Food and beverage | 15,897 | 1,022 | 1,257 | 18,176 |
| Gifts and recognition | 380 | 3,067 | 208 | 3,655 |
| Insurance | 30,636 | 11,432 | 3,647 | 45,715 |
| Media and outside computer service | 1,007 | 1,697 | 190 | 2,894 |
| Membership dues and meals | 968 | 155 | 1,505 | 2,628 |
| Mileage and off-site parking | 14,514 | 1,678 | 1,120 | 17,312 |
| Miscellaneous | 1,361 | 548 | 2,123 | 4,032 |
| Office supplies | 49,909 | 2,258 | 16 | 52,183 |
| Payroll expenses | - | 3,624 | - | 3,624 |
| Printing and copying | 3,738 | 411 | 1,283 | 5,432 |
| Program supplies | 8,171 | 80 | 289 | 8,540 |
| Rent | 333,348 | 8,935 | 14,041 | 356,324 |
| Scholarships, support and awards | 598,359 | - | - | 598,359 |
| Shipping, delivery and postage | 555 | 325 | 526 | 1,406 |
| Special events | 499,077 | 1,207 | 2,060 | 502,344 |
| Staff development | 681 | 5,612 | - | 6,293 |
| Telephone | 4,810 | 315 | 480 | 5,605 |
| Transportation program related | 26,514 | 7,328 | - | 33,842 |
| Travel, conferences and meetings | 4,270 | 287 | 4,872 | 9,429 |
| Total Nonsalary Related Expenses | <u>1,655,400</u> | <u>196,471</u> | <u>58,325</u> | <u>1,910,196</u> |
| Total Expenses | \$ <u>2,809,290</u> | \$ <u>390,219</u> | \$ <u>187,516</u> | \$ <u>3,387,025</u> |

The accompanying notes are an integral part of the financial statements.

**REALITY CHANGERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| Change in net assets | \$ 214,294 | \$ 102,649 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 8,549 | 6,460 |
| Donated stock | (34,962) | (100,250) |
| Realized and unrealized loss (gain) on investments | 145 | (1,070) |
| (Increase) Decrease in: | | |
| Contributions receivable, net | (440,564) | 265,004 |
| Accounts receivable | 18,071 | 42,914 |
| Prepaid expenses | (18,292) | 6,726 |
| Increase (Decrease) in: | | |
| Accounts payable | (57,948) | 3,631 |
| Accrued expenses | 21,231 | (221) |
| Deferred revenue | 236,337 | (20,000) |
| Net Cash (Used in) Provided by Operating Activities | <u>(53,139)</u> | <u>305,843</u> |
| <u>Cash Flows From Investing Activities:</u> | | |
| Investment sales | 34,817 | 101,320 |
| Purchase of property and equipment | (23,695) | - |
| Net Cash Provided by Investing Activities | <u>11,122</u> | <u>101,320</u> |
| Net (Decrease) Increase in Cash and Cash Equivalents | (42,017) | 407,163 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,328,623</u> | <u>921,460</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 1,286,606</u></u> | <u><u>\$ 1,328,623</u></u> |

The accompanying notes are an integral part of the financial statements.

**REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1 - Organization:

Reality Changers (the “Organization”) is a 501(c)(3) nonprofit organization founded in 2001 and incorporated in 2009 in California. The Organization’s mission 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.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Organization had no financial instruments at June 30, 2020 and 2019.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts and contributions receivable are fully collectible; therefore, no allowance for doubtful accounts and contributions receivable was recorded at June 30, 2020 and 2019, respectively.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$5,000 for furniture and equipment at cost, while donations of furniture and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Furniture and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

| | |
|------------------------|--------------|
| Equipment | 3 - 5 years |
| Furniture and fixtures | 5 - 10 years |
| Automobile | 5 years |

Depreciation totaled \$8,549 and \$6,460 for the years ended June 30, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of furniture and equipment, the asset account is relieved of the cost and the accumulated depreciation account is reduced with depreciation taken prior to the sale. Any resultant gain or loss is recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation benefits totaling \$105,981 and \$96,936 at June 30, 2020 and 2019, respectively is accrued when incurred and included in accrued expenses.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Program revenue is recognized as revenue in the period when the services are performed in accordance with contracts and agreements.

**REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Facilities

The Organization has received donations for professional services and program expenses. The professional services are recorded at fair value and totaled \$32,510 and \$24,510 for the years ended June 30, 2020 and 2019, respectively. Program expenses are recorded at fair value and totaled \$7,662 and \$562,067 for the years ended June 30, 2020 and 2019, respectively. Donated services and facilities have been included in revenue and expenses for the years ended June 30, 2020 and 2019.

The Organization occupies unused office facilities donated by Health Sciences High and Middle College, a nonprofit corporation. Donated facilities totaled \$489,600 and \$224,400 for the years ended June 30, 2020 and 2019, respectively, recorded at fair value at the date of donation, and have been included in revenue and expenses for the years ended June 30, 2020 and 2019.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2020 and 2019, did not meet the requirements above, therefore no amounts were recognized in the financial statements for volunteer time.

Functional Allocation of Expenses

The statements of functional expenses presents expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

Income Taxes

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the year ended June 30, 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

In June 2019, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019. There was no effect of adopting the new accounting principles on contributions in 2020.

Subsequent Events

The Organization has evaluated subsequent events through March 17, 2021, which is the date the financial statements are available for issuance and concluded that there were no events or transactions that needed to be disclosed.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The table below presents financial assets available for general expenditures within one year at June 30:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,286,606 | \$ 1,328,623 |
| Contributions receivable | 167,738 | - |
| Accounts receivable | - | 18,071 |
| Financial assets available for general expenditures within one year | <u>\$ 1,454,344</u> | <u>\$ 1,346,694</u> |

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates generating sufficient operating income to cover general expenditures.

Note 4 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------|-------------|
| Receivables due in less than one year | \$ 167,738 | \$ - |
| Receivables due in one to five years | 275,000 | - |
| Total Contributions Receivable | 442,738 | - |
| Less: Discounts to present value | (2,174) | - |
| Contributions Receivable, Net | <u>\$ 440,564</u> | <u>\$ -</u> |

Contributions receivable have been discounted to their present value using a discount rate of 0.29% and 0% for the years ended June 30, 2020 and 2019, respectively.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 5 - Furniture and Equipment:

Furniture and equipment consist of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------------|------------------------|
| Equipment | \$ 50,909 | \$ 50,909 |
| Automobile | 23,695 | - |
| Furniture and fixtures | 2,307 | 2,307 |
| Subtotal | <u>76,911</u> | <u>53,216</u> |
| Less: Accumulated depreciation | <u>(54,613)</u> | <u>(46,064)</u> |
| Furniture and Equipment, Net | <u><u>\$ 22,298</u></u> | <u><u>\$ 7,152</u></u> |

Note 6 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|-------------------------|
| Subject to Expenditure for Specified Purpose: | | |
| Data management system | \$ 4,960 | \$ 47,458 |
| Community service van | - | 17,500 |
| Total Subject to Expenditure for Specified Purpose | <u>4,960</u> | <u>64,958</u> |
| Subject to the Passage of Time: | | |
| Contributions receivable | 422,826 | - |
| Advance contributions | - | 20,000 |
| Total Net Assets with Donor Restrictions | <u><u>\$ 427,786</u></u> | <u><u>\$ 84,958</u></u> |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the year ended June 30:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|--------------------------|
| Purpose Restrictions Accomplished: | | |
| Data management system | \$ 42,498 | \$ - |
| Community service van | 17,500 | - |
| College town | - | 185,000 |
| Passage of Time: | | |
| Advance contributions | <u>20,000</u> | <u>65,000</u> |
| Total Net Assets Released From Restrictions | <u><u>\$ 79,998</u></u> | <u><u>\$ 250,000</u></u> |

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 7 - Lease Commitments:

The Organization leased unused office space under an operating lease through September 30, 2018. The lease required the Organization to pay a monthly base rent, operating expenses, utilities and a capital reserve. The Organization leases office space under an operating lease through June 2020. The lease requires the Organization to pay a base rent of one dollar annually. In addition to the base rent, the Organization pays operating expenses, utilities and a capital reserve totaling \$11,817 per month. The donated office space has been recorded as an in-kind contribution and rent expense and totaled \$489,600 and \$224,400 for the years ended June 30, 2020 and 2019, respectively. Rent expense totaled \$624,237 and \$356,321 for the years ended June 30, 2020 and 2019, respectively.

Note 8 - Contingencies:

Payroll Protection Program Loan

In April 2020, the Organization received a loan totaling \$236,337 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in April 2022. The amount totaling \$236,337 has been included in deferred revenue at June 30, 2020. The Organization expects to satisfy the terms and conditions of forgiveness of the PPP, and will recognize the amount received as revenue during the year ended June 30, 2021, when forgiveness has been granted by the lender.

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. The Organization’s program is considered essential and therefore continued operations in an adjusted capacity. The impacts of the pandemic on the Organization included some disruptions on employee’s ability to work, the suspension of in-person programming, and reductions in traditional contributions from donors and events. The future effects of these issues are unknown.