



FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



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

**REALITY CHANGERS
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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Independent Auditor's Report

To the Board of Directors
Reality Changers

Opinion

We have audited the accompanying financial statements of Reality Changers (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Reality Changers, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reality Changers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Reality Changers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reality Changers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
December 16, 2022

**REALITY CHANGERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2 and 4)		
Cash and cash equivalents	\$ 1,124,905	\$ 1,472,633
Contributions receivable	323,970	166,000
Other receivable	-	135,018
Prepaid expenses	26,759	20,403
Total Current Assets	1,475,634	1,794,054
<u>Noncurrent Assets:</u> (Notes 2, 4, 5 and 7)		
Contributions receivable, net	63,623	193,886
Furniture and equipment, net	11,847	16,586
Restricted cash and investments:		
Endowment cash and investments	837,570	-
Total Noncurrent Assets	913,040	210,472
TOTAL ASSETS	\$ 2,388,674	\$ 2,004,526

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Note 2)		
Accounts payable	\$ 6,823	\$ 15,178
Accrued expenses	119,644	134,379
Deferred revenue	-	277,987
Total Current Liabilities	126,467	427,544
Total Liabilities	126,467	427,544
<u>Commitments and Contingencies</u> (Notes 10 and 11)		
<u>Net Assets:</u> (Notes 2, 8 and 9)		
Without donor restrictions	1,029,814	1,258,096
With donor restrictions:		
Purpose restrictions	156,200	-
Time restrictions	260,270	318,886
Perpetual in nature	815,923	-
Total With Donor Restrictions	1,232,393	318,886
Total Net Assets	2,262,207	1,576,982
TOTAL LIABILITIES AND NET ASSETS	\$ 2,388,674	\$ 2,004,526

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

**REALITY CHANGERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Contributions	\$ 1,769,553	\$ 1,152,532	\$ 2,922,085	\$ 1,774,650	\$ 70,000	\$ 1,844,650
In-kind contributions	117,989	-	117,989	127,797	-	127,797
Other revenue	28,745	-	28,745	135,018	-	135,018
Program revenue	24,500	-	24,500	26,500	-	26,500
Investment loss	78	(78,762)	(78,684)	(182)	-	(182)
Net assets released from restrictions	160,263	(160,263)	-	178,900	(178,900)	-
Total Revenue and Support	<u>2,101,128</u>	<u>913,507</u>	<u>3,014,635</u>	<u>2,242,683</u>	<u>(108,900)</u>	<u>2,133,783</u>
<u>Expenses:</u>						
Program Services	<u>1,535,900</u>	<u>-</u>	<u>1,535,900</u>	<u>1,161,853</u>	<u>-</u>	<u>1,161,853</u>
Supporting Services:						
Management and general	232,238	-	232,238	283,838	-	283,838
Fundraising	561,272	-	561,272	459,992	-	459,992
Total Supporting Services	<u>793,510</u>	<u>-</u>	<u>793,510</u>	<u>743,830</u>	<u>-</u>	<u>743,830</u>
Total Expenses	<u>2,329,410</u>	<u>-</u>	<u>2,329,410</u>	<u>1,905,683</u>	<u>-</u>	<u>1,905,683</u>
Change in Net Assets	(228,282)	913,507	685,225	337,000	(108,900)	228,100
Net Assets at Beginning of Year	<u>1,258,096</u>	<u>318,886</u>	<u>1,576,982</u>	<u>921,096</u>	<u>427,786</u>	<u>1,348,882</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,029,814</u>	<u>\$ 1,232,393</u>	<u>\$ 2,262,207</u>	<u>\$ 1,258,096</u>	<u>\$ 318,886</u>	<u>\$ 1,576,982</u>

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

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<u>Salaries and Related Expenses:</u>				
Salaries and wages	\$ 985,668	\$ 110,664	\$ 381,769	\$ 1,478,101
Payroll taxes and related costs	85,120	9,257	29,725	124,102
Employee benefits	35,891	29,205	6,948	72,044
Total Salaries and Related Expenses	<u>1,106,679</u>	<u>149,126</u>	<u>418,442</u>	<u>1,674,247</u>
<u>Nonsalary Related Expenses:</u>				
Accounting	-	52,790	-	52,790
Advertising and promotion	38,028	3,131	36,587	77,746
Background checks	1,451	-	-	1,451
Bank fees	1,408	777	1,400	3,585
Computer software and hardware	20,110	1,227	11,351	32,688
Contractor payments	19,331	1,216	16,621	37,168
Depreciation	4,739	-	-	4,739
Food and beverage	5,675	159	565	6,399
Gifts and recognition	706	1,991	314	3,011
Insurance	23,228	2,592	5,600	31,420
Media and outside computer service	5,606	481	165	6,252
Membership dues and meals	3,845	120	215	4,180
Mileage and off-site parking	931	299	175	1,405
Miscellaneous	354	428	-	782
Office supplies	3,614	401	-	4,015
Payroll expenses	-	6,522	-	6,522
Printing and copying	922	458	2,946	4,326
Program supplies	22,977	-	40	23,017
Rent	63,694	5,888	15,139	84,721
Scholarships, support and awards	165,016	-	-	165,016
Shipping, delivery and postage	456	180	524	1,160
Special events	8,197	-	48,161	56,358
Staff development	27,755	3,606	314	31,675
Telephone	10,305	846	2,681	13,832
Travel, conferences and meetings	873	-	32	905
Total Nonsalary Related Expenses	<u>429,221</u>	<u>83,112</u>	<u>142,830</u>	<u>655,163</u>
Total Expenses	\$ <u>1,535,900</u>	\$ <u>232,238</u>	\$ <u>561,272</u>	\$ <u>2,329,410</u>

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

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<u>Salaries and Related Expenses:</u>				
Salaries and wages	\$ 865,220	\$ 100,661	\$ 356,716	\$ 1,322,597
Payroll taxes and related costs	72,978	10,002	27,279	110,259
Employee benefits	26,865	22,252	10,394	59,511
Total Salaries and Related Expenses	<u>965,063</u>	<u>132,915</u>	<u>394,389</u>	<u>1,492,367</u>
<u>Nonsalary Related Expenses:</u>				
Accounting	-	52,395	-	52,395
Advertising and promotion	29,376	-	29,491	58,867
Bank Fees	-	1,739	-	1,739
Computer software and hardware	3,630	459	10,427	14,516
Contractor payments	30,488	7,758	9,065	47,311
Depreciation	5,712	-	-	5,712
Food and beverage	1,099	-	-	1,099
Gifts and recognition	2,364	772	-	3,136
Insurance	27,187	701	6,336	34,224
Media and outside computer service	5,390	514	814	6,718
Membership dues and meals	4,020	543	100	4,663
Mileage and off-site parking	193	7	50	250
Miscellaneous	673	803	93	1,569
Office supplies	415	2,676	31	3,122
Payroll expenses	-	8,145	-	8,145
Printing and copying	1,266	49	888	2,203
Program supplies	6,744	58	-	6,802
Rent	6,124	71,822	938	78,884
Scholarships, support and awards	64,653	-	-	64,653
Shipping, delivery and postage	218	309	1,875	2,402
Special events	1,003	-	3,923	4,926
Staff development	-	1,350	-	1,350
Telephone	5,859	823	1,501	8,183
Transportation program related	3	-	-	3
Travel, conferences and meetings	373	-	71	444
Total Nonsalary Related Expenses	<u>196,790</u>	<u>150,923</u>	<u>65,603</u>	<u>413,316</u>
Total Expenses	<u>\$ 1,161,853</u>	<u>\$ 283,838</u>	<u>\$ 459,992</u>	<u>\$ 1,905,683</u>

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

**REALITY CHANGERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 685,225	\$ 228,100
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,739	5,712
Donated stock	(15,758)	(73,390)
Realized and unrealized loss on investments	139,553	121
Endowment contributions	(937,811)	-
Endowment investment loss	121,888	-
(Increase) Decrease in:		
Contributions receivable, net	(27,707)	80,678
Other receivable	135,018	(135,018)
Prepaid expenses	(6,356)	(2,111)
Increase (Decrease) in:		
Accounts payable	(8,355)	9,311
Accrued expenses	(14,735)	(42,295)
Deferred revenue	(277,987)	41,650
Net Cash (Used in) Provided by Operating Activities	<u>(202,286)</u>	<u>112,758</u>
<u>Cash Flows From Investing Activities:</u>		
Investment purchases/sales	<u>(961,365)</u>	<u>73,269</u>
Net Cash (Used in) Provided by Investing Activities	<u>(961,365)</u>	<u>73,269</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions	937,811	-
Endowment investment loss	(121,888)	-
Net Cash Provided by Financing Activities	<u>815,923</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(347,728)	186,027
Cash and Cash Equivalents at Beginning of Year	<u>1,472,633</u>	<u>1,286,606</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,124,905</u>	<u>\$ 1,472,633</u>

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

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the statements of financial position.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

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).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in equities, exchange traded funds and mutual funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in corporate and government bonds are considered Level 2 assets, and are reported at fair value using matrix pricing or market corroborated pricing, and inputs such as yield curves and indices.

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 other and contributions receivable are fully collectible; therefore, no allowance for doubtful other and contributions receivable was recorded at June 30, 2022 and 2021, 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.

**REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

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 \$4,739 and \$5,712 for the years ended June 30, 2022 and 2021, 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 \$49,030 and \$75,369 at June 30, 2022 and 2021, 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.

Donated Services and Support

The Organization received the following in-kind contributions for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Marketing services	\$ 72,680	\$ 56,404
Leadership training services	25,000	-
Design and production services	17,317	-
Supplies	2,992	2,557
Rent	-	68,836
Total Contributed Nonfinancial Assets	<u>\$ 117,989</u>	<u>\$ 127,797</u>

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support (Continued)

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets, or they require specialized skills that would need to be purchased if they were not donated. The Organization received contributed marketing, leadership training and design and production services that are reported using current rates for similar services. The Organization also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities for these fundraising and special projects services because the criteria for recognition have not been satisfied.

The Organization rented and occupied office facilities for which the rental payments stated in the agreement are less than the amount that would be charged for similar space that is rented under similar terms. Using available commercial real estate rental information, the Organization estimated the value of the rental payments. The Organization received contributed rent through the year ended June 30, 2021. The contributed office facilities is used for both program and supporting services and is allocated based upon square footage used by each program and supporting service.

Contributed supplies were utilized in the Organization's program.

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, 2022, 2021, 2020 and 2019 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, 2022 AND 2021**

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 Pronouncement Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not - for - profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 16, 2022, 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.

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 appropriated earnings from donor restricted endowment, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,124,905	\$ 1,472,633
Contributions receivable	323,970	166,000
Other receivable	-	135,018
Financial assets available for general expenditures within one year	<u>\$ 1,448,875</u>	<u>\$ 1,773,651</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.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 3 - Liquidity and Availability: (Continued)

Endowment funds consist of a donor-restricted endowment. Income from donor-restricted endowment is restricted and available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 9. Donor-restricted endowment funds that must be held in perpetuity are not available for general expenditure.

Note 4 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Receivables due in less than one year	\$ 323,970	\$ 166,000
Receivables due in one to five years	<u>65,000</u>	<u>195,000</u>
Total Contributions Receivable	388,970	361,000
Less: Discounts to present value	<u>(1,377)</u>	<u>(1,114)</u>
Contributions Receivable, Net	<u>\$ 387,593</u>	<u>\$ 359,886</u>

Contributions receivable have been discounted to their present value using a discount rate of 0.29% through 2.92% for the years ended June 30, 2022 and 2021, respectively.

Note 5 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2022			Balance at June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities, exchange traded funds, and mutual funds	\$ 664,690	\$ -	\$ -	\$ 664,690
Corporate and government bonds	151,233	-	-	151,233
Endowment restricted cash	<u>21,647</u>	<u>-</u>	<u>-</u>	<u>21,647</u>
	<u>\$ 837,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,570</u>
	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Equities, exchange traded funds and mutual funds	\$ -	\$ -	\$ -	\$ -
Corporate and government bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 6 - Investments:

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Equities, exchange traded funds and mutual funds	\$ 664,690	\$ -
Corporate and government bonds	151,233	-
Endowment restricted cash	21,647	-
Total Investments	<u>\$ 837,570</u>	<u>\$ -</u>

The following schedule summarizes the investment income for the years ended June 30:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 78	\$ 60,816	\$ 60,894
Net realized and unrealized loss	-	(139,553)	(139,553)
Investment fees	-	(25)	(25)
Investment Income	<u>\$ (121,810)</u>	<u>\$ 43,126</u>	<u>\$ (78,684)</u>
	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 115	\$ -	\$ 115
Net realized and unrealized loss	(121)	-	(121)
Investment fees	(176)	-	(176)
Investment Income	<u>\$ (182)</u>	<u>\$ -</u>	<u>\$ (182)</u>

Note 7 - Furniture and Equipment:

Furniture and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 50,909	\$ 50,909
Automobile	23,695	23,695
Furniture and fixtures	2,307	2,307
Subtotal	76,911	76,911
Less: Accumulated depreciation	(65,064)	(60,325)
Furniture and Equipment, Net	<u>\$ 11,847</u>	<u>\$ 16,586</u>

**REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of contributions received with donor restrictions, for which the funds were not spent for their intended use at June 30, 2022 and 2021. Net assets with donor restrictions are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
College town	\$ 80,000	\$ -
College apps	76,200	-
Total Subject to Expenditure for Specified Purpose	<u>156,200</u>	<u>-</u>
Subject to the Passage of Time:		
Contributions receivable	238,623	318,886
Accumulated earnings on endowment assets	21,647	-
Total Subject to the Passage of Time	<u>260,270</u>	<u>318,886</u>
Perpetual in Nature:		
Endowments (Note 9)	815,923	-
Total Net Assets with Donor Restrictions	<u>\$ 1,232,393</u>	<u>\$ 318,886</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>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
Data management system	\$ -	\$ 4,960
Passage of Time:		
Contributions receivable	160,263	173,940
Total Net Assets Released From Restrictions	<u>\$ 160,263</u>	<u>\$ 178,900</u>

Note 9 - Endowment Net Assets:

The Organization's endowment was established to provide college scholarships during the year ended June 30, 2022. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Organization holds and manages the endowment.

In regards to the funds held and managed by the Organization, the Board of Directors of the Organization has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 9 - Endowment Net Assets: (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has underwater endowment funds totaling \$121,888 and \$-0- at June 30, 2022 and 2021, respectively.

The Organization has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a moderate level
- Comply with applicable laws

The Organization's endowment funds are invested in equities, exchange traded funds, bonds and mutual funds that are structured to satisfy its long-term rate-of-return objectives. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization has a policy to capitalize on the current and anticipated interest rate environment to maximize return, will generally pursue a buy-and-hold strategy and expend the annual income generated from the fund on an annual basis to provide scholarships for student participants. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. It is the Organization's policy to not make distributions in excess of the amount available in the endowment funds held in perpetuity.

**REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 9 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at June 30:

	2022		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
The Reality Changers Foundation	\$ 21,647	\$ 815,923	\$ 837,570
Total	<u>\$ 21,647</u>	<u>\$ 815,923</u>	<u>\$ 837,570</u>
	2021		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
The Reality Changers Foundation	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in endowment net assets for the years ended June 30:

	2022		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2021	\$ -	\$ -	\$ -
Contributions	17,646	937,811	955,457
Investment income	43,126	(121,888)	(78,762)
Appropriation of endowment assets for expenditure	(39,125)	-	(39,125)
Endowment Net Assets at June 30, 2022	<u>\$ 21,647</u>	<u>\$ 815,923</u>	<u>\$ 837,570</u>

Note 10 - Lease Commitments:

The Organization leased office space under an operating lease through July 2020. The lease required the Organization to pay a base rent of one dollar annually. In addition to the base rent, the Organization paid operating expenses, utilities and a capital reserve totaling \$5,845 per month. On August 1, 2020 the Organization entered into a ten-year license agreement for office space through July 2030. Rent payments were abated from March 1, 2021 through June 30, 2021. Monthly rent payments under the license agreement of \$7,009 began in July 2021 when the Organization was able to resume its programs. The donated office space has been recorded as an in-kind contribution and rent expense, and totaled \$- and \$68,836 for the years ended June 30, 2022 and 2021, respectively. Rent expense on the office space totaled \$84,108 and \$78,884 for the years ended June 30, 2022 and 2021, respectively.

**REALITY CHANGERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 10 - Lease Commitments: (Continued)

Future minimum rental payments are as follows:

Years Ended <u>June 30</u>	
2023	\$ 84,108
2024	84,108
2025	84,108
2026	84,108
2027	84,108
Thereafter	<u>259,333</u>
	<u>\$ 679,873</u>

Note 11 - 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 Organization has recognized \$0- and \$236,337 as revenue for the years ended June 30, 2022 and 2021, respectively, since they have satisfied the terms and conditions of forgiveness of the PPP. The full loan amount was forgiven by the U.S. Small Business Administration on November 16, 2021.

Consolidated Appropriations Act Payroll Protection Program

In March 2021, the Organization received a loan totaling \$277,987 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP2”). The loan is forgivable to the extent that the Organization meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due March 2026. The Organization has recognized \$277,987 and \$0- as revenue for the years ended June 30, 2022 and 2021, respectively, since they have satisfied the terms and conditions of forgiveness of the PPP.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity, and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.