FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

REALITY CHANGERS
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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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.

Change in Accounting Principle

As described in Note 2, Reality Changers adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
February 12, 2024

REALITY CHANGERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current Assets: (Notes 2 and 4)		
Cash and cash equivalents	$ 900,408	$ 1,124,905
Contributions receivable	365,373	323,970
Other receivable	1,500	-
Prepaid expenses	41,120	26,759
Total Current Assets	1,308,401	1,475,634
Noncurrent Assets: (Notes 2, 4, 5 and 7)		
Contributions receivable, net	-	63,623
Right-of-use asset - operating lease	584,420	-
Furniture and equipment, net	7,108	11,847
Restricted cash and investments:		
Endowment cash and investments	867,716	837,570
Total Noncurrent Assets	1,459,244	913,040
TOTAL ASSETS	$ 2,767,645	$ 2,388,674

LIABILITIES AND NET ASSETS

	2023	2022
Current Liabilities: (Notes 2 and 10)		
Accounts payable	$ 21,770	$ 6,823
Accrued expenses	91,888	119,644
Operating lease liability	81,126	-
Total Current Liabilities	194,784	126,467
Noncurrent Liabilities: (Notes 2 and 10)		
Operating lease liability, net of current portion	503,294	-
Total Noncurrent Liabilities	503,294	-
Total Liabilities	698,078	126,467
Commitment and Contingency (Notes 10 and 11)		
Net Assets: (Notes 2, 8 and 9)		
Without donor restrictions	1,039,351	1,029,814
With donor restrictions:		
Purpose restrictions	22,500	156,200
Time restrictions	176,593	260,270
Perpetual in nature	831,123	815,923
Total With Donor Restrictions	1,030,216	1,232,393
Total Net Assets	2,069,567	2,262,207
TOTAL LIABILITIES AND NET ASSETS	$ 2,767,645	$ 2,388,674

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

REALITY CHANGERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions	$ 1,645,135	$ 276,923	$ 1,922,058	$ 1,717,244	$ 1,152,532	$ 2,869,776
Special event, net of direct expenses of $31,114 and $25,119, respectively	96,775	-	96,775	27,190	-	27,190
In-kind contributions	95,341	-	95,341	117,989	-	117,989
Investment gain (loss)	100	43,466	43,566	78	(78,762)	(78,684)
Program revenue	21,500	-	21,500	24,500	-	24,500
Other revenue	10,155	-	10,155	28,745	-	28,745
Net assets released from restrictions	522,566	(522,566)	-	160,263	(160,263)	-
Total Revenue and Support	2,391,572	(202,177)	2,189,395	2,076,009	913,507	2,989,516
Expenses:						
Program Services	1,761,368	-	1,761,368	1,535,900	-	1,535,900
Supporting Services:						
Management and general	288,330	-	288,330	232,238	-	232,238
Fundraising	332,337	-	332,337	536,153	-	536,153
Total Supporting Services	620,667	-	620,667	768,391	-	768,391
Total Expenses	2,382,035	-	2,382,035	2,304,291	-	2,304,291
Change in Net Assets	9,537	(202,177)	(192,640)	(228,282)	913,507	685,225
Net Assets at Beginning of Year	1,029,814	1,232,393	2,262,207	1,258,096	318,886	1,576,982
NET ASSETS AT END OF YEAR	$ 1,039,351	$ 1,030,216	$ 2,069,567	$ 1,029,814	$ 1,232,393	$ 2,262,207

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

REALITY CHANGERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries and Related Expenses:				
Salaries and wages	$ 1,142,874	$ 185,331	$ 216,219	$ 1,544,424
Payroll taxes and related costs	89,691	14,544	16,969	121,204
Employee benefits	62,140	10,076	11,756	83,972
Total Salaries and Related Expenses	1,294,705	209,951	244,944	1,749,600
Nonsalary Related Expenses:				
Accounting	11,976	5,442	2,266	19,684
Advertising and promotion	54,475	8,834	10,306	73,615
Bank Fees	2,667	432	505	3,604
Computer software and hardware	15,201	2,465	2,876	20,542
Contractor payments	112,237	18,200	21,234	151,671
Depreciation	4,739	-	-	4,739
Food and beverage	6,516	1,057	1,233	8,806
Gifts and recognition	699	113	132	944
Insurance	16,957	2,750	3,208	22,915
Membership dues and meals	4,426	718	837	5,981
Mileage and off-site parking	2,332	378	441	3,151
Miscellaneous	4,439	695	840	5,974
Office supplies	25,013	4,056	4,732	33,801
Payroll expenses	6,742	1,093	1,276	9,111
Printing and copying	3,709	601	702	5,012
Program supplies	7,002	1,135	1,325	9,462
Rent	65,030	10,545	12,303	87,878
Scholarships, support and awards	83,169	13,487	15,735	112,391
Shipping, delivery and postage	928	150	176	1,254
Special events	28,527	4,626	5,397	38,550
Staff development	1,429	232	270	1,931
Telephone	5,555	901	1,051	7,507
Travel, conferences and meetings	2,895	469	548	3,912
Total Nonsalary Related Expenses	466,663	78,379	87,393	632,435
Total Expenses	$ 1,761,368	$ 288,330	$ 332,337	$ 2,382,035

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: Management and General	Supporting Services: Fundraising	Total
Salaries and Related Expenses:				
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	1,106,679	149,126	418,442	1,674,247
Nonsalary Related Expenses:				
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	-	23,042	31,239
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	429,221	83,112	117,711	630,044
Total Expenses	$ 1,535,900	$ 232,238	$ 536,153	$ 2,304,291

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

REALITY CHANGERS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ (192,640)	$ 685,225
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,739	4,739
Donated stock	(14,078)	(15,758)
Realized and unrealized (gain) loss on investments	(16,886)	139,553
Endowment contributions	(6,922)	(937,811)
Endowment investment (gain) loss	(8,278)	121,888
Amortization of right-of-use asset - operating lease	80,689	-
(Increase) Decrease in:		
Contributions receivable, net	22,220	(27,707)
Other receivable	(1,500)	135,018
Prepaid expenses	(14,361)	(6,356)
Increase (Decrease) in:		
Accounts payable	14,947	(8,355)
Accrued expenses	(27,756)	(14,735)
Deferred revenue	-	(277,987)
Operating lease liability	(80,689)	-
Net Cash Used in Operating Activities	(240,515)	(202,286)
Cash Flows From Investing Activities:		
Investment (purchases)/sales	818	(961,365)
Net Cash Provided by (Used in) Investing Activities	818	(961,365)
Cash Flows From Financing Activities:		
Endowment contributions	6,922	937,811
Endowment investment gain (loss)	8,278	(121,888)
Net Cash Provided by Financing Activities	15,200	815,923
Net Decrease in Cash and Cash Equivalents	(224,497)	(347,728)
Cash and Cash Equivalents at Beginning of Year	1,124,905	1,472,633
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 900,408	$ 1,124,905
Supplemental Disclosure of Cash Flow Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 84,108	$ -
Right-of-use asset upon ASC 842 implementation:		
Operating leases	$ 665,109	$ -

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

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.

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, 2023 and 2022, 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.

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 for each of the years ended June 30, 2023 and 2022.

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 $25,442 and $49,030 at June 30, 2023 and 2022, 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.

Revenue from special events, program and other revenue are recognized as revenue when the related program, performance or event occurs. Receivables are recorded when the revenue earned exceeds the cash received. Deferred revenue is recorded when the cash received exceeds the revenue earned.

Donated Services and Support

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

	2023	2022
Marketing services	$ 65,369	$ 72,680
Supplies	24,305	2,992
Leadership training services	3,525	25,000
Design and production services	2,100	17,317
Food and beverage	42	-
Total Contributed Nonfinancial Assets	$ 95,341	$ 117,989

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 received contributed supplies valued at the amount to purchase similar supplies. Contributed services and 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, 2023, 2022, 2021 and 2020 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets in the statement of financial position.

Note 2 - Significant Accounting Policies: (Continued)

Leases (Continued)

The individual lease contract does not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

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.

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.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification *(“ASC”) 842, Leases (“FASB ASC 842”)* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position by lessees, and the disclosures of key information about leasing arrangements.

The Organization adopted this guidance Accounting Standards Codification (ASC) 842 in 2022 using the effective date transition method which allows the Organization to apply the guidance for the current year presentation and not adjust the prior year numbers. The Organization elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Organization did not elect to use hindsight for leases existing at the adoption date.

As a result of the adoption of FASB ASC 842 on July 1, 2022, right of use asset of $665,109 and operating lease liability of $665,109 was recorded.

Subsequent Events

The Organization has evaluated subsequent events through February 12, 2024, 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, except as disclosed in Note 12.

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:

	2023	2022
Cash and cash equivalents	$ 900,408	$ 1,124,905
Contributions receivable	365,373	323,970
Other receivable	1,500	-
Financial assets available for general expenditures within one year	$ 1,267,281	$ 1,448,875

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.

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:

	2023	2022
Receivables due in less than one year	$ 365,373	$ 323,970
Receivables due in one to five years	-	65,000
Total Contributions Receivable	365,373	388,970
Less: Discounts to present value	-	(1,377)
Contributions Receivable, Net	$ 365,373	$ 387,593

Contributions receivable have been discounted to their present value using a discount rate of 0.29% through 2.92% for the year ended June 30, 2022. No discount was recorded at June 30, 2023.

Note 5 - Fair Value Measurements:

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

	2023			
	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, 2023
Equities, exchange traded funds, and mutual funds	$ 683,254	$ -	$ -	$ 683,254
Corporate and government bonds	147,869	-	-	147,869
Endowment restricted cash	36,593	-	-	36,593
	$ 867,716	$ -	$ -	$ 867,716

	2022			
	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, 2022
Equities, exchange traded funds, and mutual funds	$ 664,690	$ -	$ -	$ 664,690
Corporate and government bonds	151,233	-	-	151,233
Endowment restricted cash	21,647	-	-	21,647
	$ 837,570	$ -	$ -	$ 837,570

Note 6 - Investments:

Investments consist of the following at June 30:

	2023	2022
Equities, exchange traded funds and mutual funds	$ 683,254	$ 664,690
Corporate and government bonds	147,869	151,233
Endowment restricted cash	36,593	21,647
Total Investments	$ 867,716	$ 837,570

Note 6 - Investments: (Continued)

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 100	$ 26,581	$ 26,681
Net realized and unrealized income	-	16,885	16,885
Investment Income	$ 100	$ 43,466	$ 43,566

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 78	$ 60,816	$ 60,894
Net realized and unrealized loss	-	(139,553)	(139,553)
Investment fees	-	(25)	(25)
Investment Income (Loss)	$ (121,810)	$ 43,126	$ (78,684)

Note 7 - Furniture and Equipment:

Furniture and equipment consist of the following at June 30:

	2023	2022
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	(69,803)	(65,064)
Furniture and Equipment, Net	$ 7,108	$ 11,847

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, 2023 and 2022. Net assets with donor restrictions are summarized as follows at June 30:

	2023	2022
Subject to Expenditure for Specified Purpose:		
College town	$ 10,000	$ 80,000
Alumni network	12,500	-
College apps	-	76,200
Total Subject to Expenditure for Specified Purpose	22,500	156,200
Subject to the Passage of Time:		
Contributions receivable	140,000	238,623
Accumulated earnings on endowment assets	36,593	21,647
Total Subject to the Passage of Time	176,593	260,270
Perpetual in Nature:		
Endowments (Note 9)	831,123	815,923
Total Net Assets with Donor Restrictions	$ 1,030,216	$ 1,232,393

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 years ended June 30:

	2023	2022
Purpose Restrictions Accomplished:		
College town	$ 90,000	$ -
College apps	76,200	-
Alumni network	37,500	-
Passage of Time:		
Contributions receivable	298,624	160,263
Accumulated earnings on endowment assets	20,242	-
Total Net Assets Released From Restrictions	$ 522,566	$ 160,263

Note 9 - Endowment Net Assets:

The Organization's endowment was established to provide college scholarships during the year ended June 30, 2023. 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.

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 $106,688 and $121,888 at June 30, 2023 and 2022, 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

Note 9 - Endowment Net Assets: (Continued)

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.

Endowment composition by type of fund at June 30:

	2023		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
The Reality Changers Foundation	$ 36,593	$ 831,123	$ 867,716
Total	$ 36,593	$ 831,123	$ 867,716

	2022		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
The Reality Changers Foundation	$ 21,647	$ 815,923	$ 837,570
Total	$ 21,647	$ 815,923	$ 837,570

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

	2023		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2022	$ 21,647	$ 815,923	$ 837,570
Contributions	-	6,922	6,922
Investment income	35,188	8,278	43,466
Appropriation of endowment assets for expenditure	(20,242)	-	(20,242)
Endowment Net Assets at June 30, 2023	$ 36,593	$ 831,123	$ 867,716

Note 9 - Endowment Net Assets: (Continued)

	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 (loss)	43,126	(121,888)	(78,762)
Appropriation of endowment assets for expenditure	(39,125)	-	(39,125)
Endowment Net Assets at June 30, 2022	$ 21,647	$ 815,923	$ 837,570

Note 10 – Operating Lease:

On August 1, 2020, the Organization entered into a ten-year license agreement with the San Diego Unified School District for office space and program services through July 2030. Monthly rent payments under the license agreement are $7,009 per month. Rent expense for the agreement totaled $84,108 for each of the years ended June 30, 2023 and 2022, and is included in rent expense. The following summarizes the line items on the statement of financial position for the operating lease at June 30, 2023:

Right-of-use asset – operating lease	$ 584,420
Operating lease liability - current portion	$ 81,126
Operating lease liability - less current portion	503,294
Total Operating Lease Liabilities	$ 584,420

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term - Operating	85 months
Weighted average discount rate	0.55%

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense	$ 84,108
Total Lease Cost	$ 84,108

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Operating cash flows from operating leases	$ 84,108

Note 10 – Operating Lease: (Continued)

The following is a schedule of future minimum lease payments under the lease:

Years Ended June 30		
2024	$	84,108
2025		84,108
2026		84,108
2027		84,108
2028		84,108
Thereafter		175,325
Total	$	595,865
Less: Discount		(11,445)
Present Value of Lease Liabilities	$	584,420

Note 11 - Contingency:

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 $-0- and $277,987 as revenue for the years ended June 30, 2023 and 2022, respectively, since they have satisfied the terms and conditions of forgiveness of the PPP. The loan was forgiven on November 16, 2021.

Note 12 – Subsequent Event:

Effective August 30, 2023, the San Diego Unified School District terminated the license agreement with the Organization.

Subsequent to year end, the Organization entered into a two year lease agreement for office space and program usage for $5,100 per month.