



**FINANCIAL STATEMENTS**

**JUNE 30, 2024 AND 2023**



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

**REALITY CHANGERS  
FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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 12, 2024

**REALITY CHANGERS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND 2023**

**ASSETS**

	<u>2024</u>	<u>2023</u>
<b><u>Current Assets:</u></b> (Notes 2 and 4)		
Cash and cash equivalents	\$ 595,548	\$ 900,408
Contributions receivable	2,239,664	365,373
Other receivable	-	1,500
Prepaid expenses	38,979	41,120
Total Current Assets	<u>2,874,191</u>	<u>1,308,401</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 5, 6, 7 and 10)		
Contributions receivable, net	76,015	-
Right-of-use asset - operating lease	74,322	584,420
Furniture and equipment, net	20,495	7,108
Restricted cash and investments:		
Endowment cash and investments	914,765	867,716
Total Noncurrent Assets	<u>1,085,597</u>	<u>1,459,244</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,959,788</u>	<u>\$ 2,767,645</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2 and 10)		
Accounts payable	\$ 32,084	\$ 21,770
Accrued expenses	81,607	91,888
Operating lease liability	59,088	81,126
Total Current Liabilities	<u>172,779</u>	<u>194,784</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 2 and 10)		
Operating lease liability, net of current portion	15,234	503,294
Total Noncurrent Liabilities	<u>15,234</u>	<u>503,294</u>
Total Liabilities	<u>188,013</u>	<u>698,078</u>
<b><u>Commitment</u></b> (Note 10)		
<b><u>Net Assets:</u></b> (Notes 2, 8 and 9)		
Without donor restrictions	2,618,995	1,039,351
With donor restrictions:		
Purpose restrictions	32,000	22,500
Time restrictions	240,268	176,593
Perpetual in nature	880,512	831,123
Total With Donor Restrictions	<u>1,152,780</u>	<u>1,030,216</u>
Total Net Assets	<u>3,771,775</u>	<u>2,069,567</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,959,788</u>	<u>\$ 2,767,645</u>

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

**REALITY CHANGERS  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Contributions	\$ 3,381,771	\$ 368,015	\$ 3,749,786	\$ 1,645,135	\$ 276,923	\$ 1,922,058
Special event, net of direct expenses of \$24,944 and \$31,114, respectively	209,636	-	209,636	96,775	-	96,775
In-kind contributions	76,274	-	76,274	95,341	-	95,341
Investment gain	161	87,049	87,210	100	43,466	43,566
Program revenue	24,000	-	24,000	21,500	-	21,500
Other revenue	-	-	-	10,155	-	10,155
Net assets released from restrictions	332,500	(332,500)	-	522,566	(522,566)	-
<b>Total Revenue and Support</b>	<u>4,024,342</u>	<u>122,564</u>	<u>4,146,906</u>	<u>2,391,572</u>	<u>(202,177)</u>	<u>2,189,395</u>
<b>Expenses:</b>						
<b>Program Services</b>	<u>1,836,699</u>	<u>-</u>	<u>1,836,699</u>	<u>1,761,368</u>	<u>-</u>	<u>1,761,368</u>
<b>Supporting Services:</b>						
Management and general	216,114	-	216,114	288,330	-	288,330
Fundraising	391,885	-	391,885	332,337	-	332,337
<b>Total Supporting Services</b>	<u>607,999</u>	<u>-</u>	<u>607,999</u>	<u>620,667</u>	<u>-</u>	<u>620,667</u>
<b>Total Expenses</b>	<u>2,444,698</u>	<u>-</u>	<u>2,444,698</u>	<u>2,382,035</u>	<u>-</u>	<u>2,382,035</u>
Change in Net Assets	1,579,644	122,564	1,702,208	9,537	(202,177)	(192,640)
Net Assets at Beginning of Year	<u>1,039,351</u>	<u>1,030,216</u>	<u>2,069,567</u>	<u>1,029,814</u>	<u>1,232,393</u>	<u>2,262,207</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,618,995</u>	<u>\$ 1,152,780</u>	<u>\$ 3,771,775</u>	<u>\$ 1,039,351</u>	<u>\$ 1,030,216</u>	<u>\$ 2,069,567</u>

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

**REALITY CHANGERS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b><u>Salaries and Related Expenses:</u></b>				
Salaries and wages	\$ 1,168,262	\$ 137,461	\$ 249,264	\$ 1,554,987
Payroll taxes and related costs	92,544	10,889	19,746	123,179
Employee benefits	61,010	7,179	13,017	81,206
Total Salaries and Related Expenses	<u>1,321,816</u>	<u>155,529</u>	<u>282,027</u>	<u>1,759,372</u>
<b><u>Nonsalary Related Expenses:</u></b>				
Accounting	5,635	663	1,202	7,500
Advertising and promotion	49,499	5,824	10,561	65,884
Bank Fees	5,511	648	1,176	7,335
Computer software and hardware	11,302	1,330	2,411	15,043
Contractor payments	54,756	6,443	11,683	72,882
Depreciation	3,560	419	760	4,739
Food and beverage	9,623	1,132	2,053	12,808
Gifts and recognition	6,146	723	1,311	8,180
Insurance	17,421	2,050	3,717	23,188
Membership dues and meals	3,501	412	747	4,660
Mileage and off-site parking	2,057	242	439	2,738
Miscellaneous	391	45	83	519
Office supplies	2,065	246	441	2,752
Payroll expenses	3,774	444	805	5,023
Printing and copying	3,612	425	771	4,808
Program supplies	3,210	378	685	4,273
Rent	59,798	7,036	12,759	79,593
Scholarships, support and awards	151,334	17,806	32,289	201,429
Shipping, delivery and postage	1,316	155	281	1,752
Special events	101,965	11,998	21,756	135,719
Staff development	9,916	1,167	2,116	13,199
Telephone	7,952	936	1,697	10,585
Travel, conferences and meetings	539	63	115	717
Total Nonsalary Related Expenses	<u>514,883</u>	<u>60,585</u>	<u>109,858</u>	<u>685,326</u>
<b>Total Expenses</b>	<b>\$ <u>1,836,699</u></b>	<b>\$ <u>216,114</u></b>	<b>\$ <u>391,885</u></b>	<b>\$ <u>2,444,698</u></b>

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		Total
		Management and General	Fundraising	
<b><u>Salaries and Related Expenses:</u></b>				
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
<b><u>Nonsalary Related Expenses:</u></b>				
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
<b>Total Expenses</b>	<b>\$ 1,761,368</b>	<b>\$ 288,330</b>	<b>\$ 332,337</b>	<b>\$ 2,382,035</b>

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



**REALITY CHANGERS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 1,702,208	\$ (192,640)
<b>Adjustments to reconcile change in net assets to net cash used in operating activities:</b>		
Depreciation	4,739	4,739
Donated stock	-	(14,078)
Realized and unrealized gain on investments	-	(16,885)
Endowment contributions	-	(6,922)
Endowment investment gain	(49,389)	(8,278)
Amortization of right-of-use asset - operating lease	(37,824)	80,689
<b>(Increase) Decrease in:</b>		
Contributions receivable, net	(1,950,306)	22,220
Other receivable	1,500	(1,500)
Prepaid expenses	2,141	(14,361)
<b>Increase (Decrease) in:</b>		
Accounts payable	10,314	14,947
Accrued expenses	(10,281)	(27,756)
Operating lease liability	37,824	(80,689)
Net Cash Used in Operating Activities	<u>(289,074)</u>	<u>(240,514)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment (purchases)/sales	(47,049)	817
Purchase of property and equipment	(18,126)	-
Net Cash (Used in) Provided by Investing Activities	<u>(65,175)</u>	<u>817</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Endowment contributions	-	6,922
Endowment investment gain	49,389	8,278
Net Cash Provided by Financing Activities	<u>49,389</u>	<u>15,200</u>
Net Decrease in Cash and Cash Equivalents	(304,860)	(224,497)
Cash and Cash Equivalents at Beginning of Year	<u>900,408</u>	<u>1,124,905</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 595,548</u>	<u>\$ 900,408</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	<u>\$ 77,569</u>	<u>\$ 84,108</u>
Right-of-use asset upon ASC 842 implementation:		
Operating leases	<u>\$ -</u>	<u>\$ 665,109</u>
Noncash operating lease transaction at lease commencement:		
Right-of-use asset - operating lease	112,145	-
Operating lease liability	(112,145)	-
Noncash operating lease transaction at lease commencement, net	<u>\$ -</u>	<u>\$ -</u>

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

**REALITY CHANGERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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, 2024 AND 2023**

**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, mutual funds and endowment restricted cash 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 Credit Losses**

The Organization recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statements of financial position date, aging reports and historical information. Accounts receivable are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all accounts receivable were fully collectible; therefore, no allowance for credit losses on accounts receivable was recorded at June 30, 2024 and 2023.

**Allowance for Uncollectible Contributions Receivable**

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding contributions receivable. Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful contributions receivable was recorded at June 30, 2024 and 2023.

**REALITY CHANGERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**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 \$4,739 for each of the years ended June 30, 2024 and 2023.

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 \$17,156 and \$25,442 at June 30, 2024 and 2023, 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, programs 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.

**REALITY CHANGERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**Donated Services and Support**

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

	<u>2024</u>	<u>2023</u>
Marketing services	\$ 57,943	\$ 65,369
Auction items	9,833	-
Food and beverage	6,787	42
Supplies and other	1,711	24,305
Leadership training services	-	3,525
Design and production services	-	2,100
Total Contributed Nonfinancial Assets	<u>\$ 76,274</u>	<u>\$ 95,341</u>

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, auction items and food valued at amounts to purchase similar items. Contributed services and supplies were utilized in the Organization’s program. Contributed auction items and food were utilized in the Organization’s fundraising efforts.

**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, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

**REALITY CHANGERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**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.

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.

**Accounting Pronouncement Adopted**

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (“Topic 326”)* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, accounts receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted July 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the financial statements.

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**Note 2 - Significant Accounting Policies: (Continued)**

**Subsequent Events**

The Organization has evaluated subsequent events through December 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.

**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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 595,548	\$ 900,408
Contributions receivable - current	2,239,664	365,373
Other receivable	-	1,500
Financial assets available for general expenditures within one year	<u>\$ 2,835,212</u>	<u>\$ 1,267,281</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.

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>2024</u>	<u>2023</u>
Receivables due in less than one year	\$ 2,239,664	\$ 365,373
Receivables due in one to five years	80,000	-
Total Contributions Receivable	<u>2,319,664</u>	<u>365,373</u>
Less: Discounts to present value	(3,985)	-
Contributions Receivable, Net	<u>\$ 2,315,679</u>	<u>\$ 365,373</u>

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**Note 4 - Contributions Receivable: (Continued)**

Contributions receivable have been discounted to their present value using a discount rate of 5.12% and \$-0- for the years ended June 30, 2024 and 2023, 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:

	2024			Balance at June 30, 2024
	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	\$ 731,680	\$ -	\$ -	\$ 731,680
Corporate and government bonds	-	148,832	-	148,832
Endowment restricted cash	34,253	-	-	34,253
	<u>\$ 765,933</u>	<u>\$ 148,832</u>	<u>\$ -</u>	<u>\$ 914,765</u>

  

	2023			Balance 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)	
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
	<u>\$ 719,847</u>	<u>\$ 147,869</u>	<u>\$ -</u>	<u>\$ 867,716</u>

**Note 6 - Investments:**

Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Equities, exchange traded funds and mutual funds	\$ 731,680	\$ 683,254
Corporate and government bonds	148,832	147,869
Endowment restricted cash	34,253	36,593
Total Investments	<u>\$ 914,765</u>	<u>\$ 867,716</u>



**REALITY CHANGERS**  
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**Note 6 - Investments: (Continued)**

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 161	\$ 36,697	\$ 36,858
Net realized and unrealized income	-	50,599	50,599
Investment fees	-	(247)	(247)
Investment Income	\$ 161	\$ 87,049	\$ 87,210

	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

**Note 7 - Furniture and Equipment:**

Furniture and equipment consist of the following at June 30:

	2024	2023
Equipment	\$ 69,035	\$ 50,909
Automobile	23,695	23,695
Furniture and fixtures	2,307	2,307
Subtotal	95,037	76,911
Less: Accumulated depreciation	(74,542)	(69,803)
Furniture and Equipment, Net	\$ 20,495	\$ 7,108

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**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, 2024 and 2023. Net assets with donor restrictions are summarized as follows at June 30:

	<u>2024</u>	<u>2023</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Student leaders summit	\$ 32,000	\$ -
Alumni network	-	12,500
College town	-	10,000
Total Subject to Expenditure for Specified Purpose	<u>32,000</u>	<u>22,500</u>
<b>Subject to the Passage of Time:</b>		
Contributions receivable	206,015	140,000
Accumulated earnings on endowment assets	34,253	36,593
Total Subject to the Passage of Time	<u>240,268</u>	<u>176,593</u>
<b>Perpetual in Nature:</b>		
Endowments (Note 9)	880,512	831,123
Total Net Assets with Donor Restrictions	<u>\$ 1,152,780</u>	<u>\$ 1,030,216</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 years ended June 30:

	<u>2024</u>	<u>2023</u>
<b>Purpose Restrictions Accomplished:</b>		
Alumni network	\$ 12,500	\$ 37,500
College town	10,000	90,000
College apps	-	76,200
<b>Passage of Time:</b>		
Contributions receivable	270,000	298,624
Accumulated earnings on endowment assets	40,000	20,242
Total Net Assets Released From Restrictions	<u>\$ 332,500</u>	<u>\$ 522,566</u>

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**Note 9 - Endowment Net Assets:**

The Organization's endowment was established to provide college scholarships during the year ended June 30, 2024. 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 \$57,299 and \$106,688 at June 30, 2024 and 2023, 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

**REALITY CHANGERS**  
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**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:

	2024		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
The Reality Changers Foundation	\$ 34,253	\$ 880,512	\$ 914,765
Total	\$ 34,253	\$ 880,512	\$ 914,765
	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

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

	2024		
	With Donor Restrictions - Time	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2023	\$ 36,593	\$ 831,123	\$ 867,716
Investment income	37,660	49,389	87,049
Appropriation of endowment assets for expenditure	(40,000)	-	(40,000)
Endowment Net Assets at June 30, 2024	\$ 34,253	\$ 880,512	\$ 914,765

**REALITY CHANGERS**  
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**Note 9 - Endowment Net Assets: (Continued)**

	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 10 - Operating Lease:**

On August 1, 2020, the Organization entered into a ten-year license agreement with the San Diego Unified School District (SDUSD) for office space and program services through July 2030. Monthly rent payments under the license agreement are \$7,009 per month. The license agreement was terminated by SDUSD in August 2023. In November 2023, the Organization entered into a two-year lease agreement for office and program space through September 2025. Monthly rent payments under the lease agreement total \$5,100 per month, with five one-year options to extend. The Organization also has a month-to-month agreement for \$2,500 per month. Rent expense for the agreement totaled \$79,593 and \$84,108 for the years ended June 30, 2024 and 2023, respectively, 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:

	2024	2023
Right-of-use asset – operating lease	\$ 74,322	\$ 584,420
Operating lease liability - current portion	\$ 59,088	\$ 81,126
Operating lease liability - less current portion	15,234	503,294
Total Operating Lease Liabilities	\$ 74,322	\$ 584,420

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

	2024	2023
Weighted average remaining lease term - Operating	16 months	85 months
Weighted average discount rate	4.95%	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:

	2024	2023
Operating lease expense	\$ 77,569	\$ 84,108
Total Lease Cost	\$ 77,569	\$ 84,108

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**Note 10 - Operating Lease: (Continued)**

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

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$ <u>77,569</u>	\$ <u>84,108</u>

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

<u>Years Ended June 30</u>	
2025	\$ 61,200
2026	<u>20,400</u>
Total	\$ 81,600
Less: Discount	<u>(7,278)</u>
Present Value of Lease Liabilities	<u>\$ 74,322</u>