

TURNAROUND ARTS: CALIFORNIA
(A Not-for-Profit California Corporation)

FINANCIAL STATEMENTS

June 30, 2025 and 2024



TURNAROUND ARTS: CALIFORNIA
(A Not-for-Profit California Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Turnaround Arts: California
(A Not-for-Profit California Public Benefit Corporation)
Los Angeles, California

Opinion

We have audited the financial statements of Turnaround Arts: California (a Not-for-Profit California Public Benefit Corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP, 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 U.S. GAAS 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 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.

To the Board of Directors
Turnaround Arts: California
(A Not-for-Profit California Corporation)

In performing an audit in accordance with U.S. GAAS, 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 the Organization's 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 the Organization's 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.

BPM LLP

Santa Monica, California
February 26, 2026

TURNAROUND ARTS: CALIFORNIA
(A Not-for-Profit California Corporation)

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,171,104	\$ 3,235,149
Contributions receivable, current portion	<u>324,957</u>	<u>349,778</u>
Total current assets	3,496,061	3,584,927
Property and equipment, net	9,432	2,972
Contributions receivable, net of current portion	<u>-</u>	<u>97,093</u>
Total assets	<u>\$ 3,505,493</u>	<u>\$ 3,684,992</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 50,937</u>	<u>\$ 100,652</u>
Net assets:		
Without donor restrictions	3,047,024	2,952,058
With donor restrictions	<u>407,532</u>	<u>632,282</u>
Total net assets	<u>3,454,556</u>	<u>3,584,340</u>
Total liabilities and net assets	<u>\$ 3,505,493</u>	<u>\$ 3,684,992</u>

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions and grants	\$ 531,791	\$ 531,448	\$ 1,063,239	\$ 687,826	\$ 538,022	\$ 1,225,848
In-kind contributions	189,888	-	189,888	242,947	-	242,947
Investment income	125,242	-	125,242	155,074	-	155,074
Employee retention credit	-	-	-	95,000	-	95,000
Net assets released from restrictions:						
Satisfaction of program/donor restrictions	756,198	(756,198)	-	763,372	(763,372)	-
Total revenue and support	1,603,119	(224,750)	1,378,369	1,944,219	(225,350)	1,718,869
Expenses:						
Program expenses	1,071,390	-	1,071,390	1,258,305	-	1,258,305
Fundraising expenses	256,020	-	256,020	276,848	-	276,848
General and administrative expenses	180,743	-	180,743	337,914	-	337,914
Total expenses	1,508,153	-	1,508,153	1,873,067	-	1,873,067
Change in net assets	94,966	(224,750)	(129,784)	71,152	(225,350)	(154,198)
Net assets, beginning of year	2,952,058	632,282	3,584,340	2,880,906	857,632	3,738,538
Net assets, end of year	\$ 3,047,024	\$ 407,532	\$ 3,454,556	\$ 2,952,058	\$ 632,282	\$ 3,584,340

TURNAROUND ARTS: CALIFORNIA
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STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2025 and 2024

	2025				2024			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 481,913	\$ 153,131	\$ 73,428	\$ 708,472	\$ 487,256	\$ 188,589	\$ 137,774	\$ 813,619
Arts-based education	492,844	-	-	492,844	714,804	-	-	714,804
Professional fees	44,866	76,400	85,324	206,590	15,886	70,190	179,246	265,322
Occupancy	28,571	8,571	2,858	40,000	23,960	9,280	6,760	40,000
Office supplies	11,158	-	8,368	19,526	9,081	-	4,473	13,554
Development	12,038	17,918	869	30,825	7,318	8,789	1,468	17,575
Insurance	-	-	7,752	7,752	-	-	6,880	6,880
Depreciation	-	-	2,144	2,144	-	-	1,313	1,313
	<u>\$ 1,071,390</u>	<u>\$ 256,020</u>	<u>\$ 180,743</u>	<u>\$ 1,508,153</u>	<u>\$ 1,258,305</u>	<u>\$ 276,848</u>	<u>\$ 337,914</u>	<u>\$ 1,873,067</u>

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STATEMENTS OF CASH FLOWS

For the years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (129,784)	\$ (154,198)
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation expense	2,144	1,313
Change in assets and liabilities:		
Contributions receivable	121,914	214,555
Accounts payable and accrued expenses	<u>(49,715)</u>	<u>(85,959)</u>
Net cash used in operating activities	<u>(55,441)</u>	<u>(24,289)</u>
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(8,604)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,604)</u>	<u>-</u>
Net change in cash and cash equivalents	(64,045)	(24,289)
Cash and cash equivalents, beginning of period	<u>3,235,149</u>	<u>3,259,438</u>
Cash and cash equivalents, end of period	<u>\$ 3,171,104</u>	<u>\$ 3,235,149</u>

TURNAROUND ARTS: CALIFORNIA (A Not-for-Profit California Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

1. Purpose and Activities

Turnaround Arts: California (the “Organization”) is a California not-for-profit Public Benefit Corporation established in 2014. The specific purpose of this Organization is to integrate the arts and creativity in underserved schools - to inspire students, empower teachers, engage families, and transform learning. The services provided by the Organization include strategic arts planning, arts-based coaching, professional development, and funding for community engagement projects at school sites. As a result, educators are given tools to create equitable, arts-rich schools where all students have the opportunity to succeed.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the FASB Accounting Standards Codification (“ASC”) as the sole source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Net Assets

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, the Organization’s net assets, revenues, gains, expenses, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets Without Donor Restrictions: Net assets available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operations and not subject to donor restrictions.

Net assets With Donor Restrictions: Net assets subject to donor-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 the restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been accomplished, or both.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

2. Summary of Significant Accounting Policies, continued

Revenues and Support

In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, unconditional promises to give are recognized as contributions when the underlying promises are received by the Organization. Unconditional promises to give, gifts of cash and other assets are reported as contribution revenue without donor restrictions or revenues with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed Goods and Services

The Organization adheres to Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which requires contributed nonfinancial assets to be presented as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash and other financial assets, and additional qualitative disclosures.

In accordance with ASU 2020-07, free use of facilities and services are recorded at their fair values in the period received. Contributed services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A number of individuals, including certain members of the Board, have contributed significant amounts of their own time to the activities of the Organization without compensation. The Organization recognized certain in-kind contributions from a Board member as set forth in Note 6. The value of other services are not recorded in the financial statements since they would typically not be purchased if not provided by donation.

Cash and Cash Equivalents

For purposes of the statements of financial position and the statements of cash flows, the Organization considers all highly liquid instruments purchased with original maturities of three months or less at date of purchase to be cash equivalents.

Fair Value of Financial Instruments

The Organization’s financial instruments consist of cash and cash equivalents, contributions receivable, accounts payable and accrued expenses. These are stated at historical cost or settlement value, which approximates fair value.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

2. Summary of Significant Accounting Policies, continued

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions expire or are met.

The Organization adhered to ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (“ASU 2106-13”), using the modified retrospective method for all financial assets measured at amortized cost. ASU 2016-13 did not have a significant impact on the Organization’s financial statements for the year ended December 31, 2025 and 2024.

As of June 30, 2025 and 2024, the Organization’s contributions receivable consisted of unconditional promises to give in the amount of \$324,957 and \$446,871, respectively. As of June 30, 2025 and 2024, contributions receivable to be collected within one year were \$324,957 and \$349,778, respectively.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or estimated fair market value if donated, net of accumulated depreciation computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years. Expenditures for additions and major improvements are capitalized at cost, whereas the cost of maintenance and repairs are charged to expense as incurred. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the respective asset and accumulated depreciation accounts and the gain or loss on such disposition is reflected in the statements of activities and changes in net assets.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and exempt from State of California franchise taxes under Section 23701(d) of the California Revenue and Taxation Code. Unrelated business income, as defined by Section 509(a)(1) of the IRC, is subject to federal income tax. For the years ended June 30, 2025 and 2024, management does not believe that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization follows the provisions of FASB ASC 740, *Income Taxes*, and related subsections. Accordingly, the Organization accounts for uncertain tax positions, if any, by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. Management does not believe that it has taken any uncertain tax positions in the tax-exempt filings and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

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NOTES TO FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies, continued

Concentration of Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash, cash equivalents and contributions receivable. The Organization maintains its cash and cash equivalent balances in the form of bank demand deposits and money market accounts with major financial institutions. For the years ended June 30, 2025 and 2024, the Organization had deposits in excess of federally-insured limits. The Organization has not experienced any losses in such accounts to date and believes it is not exposed to any significant risk of loss in these accounts. The Organization had no significant financial instruments with off-balance sheet risk of accounting loss.

Credit risk represents the risk of loss attributable to possible nonperformance by donors and counterparties relative to the terms of agreements and contracts.

Donors that represented 10% or more of total contribution revenue were as follows as of June 30:

	2025		2024	
Donor 1	\$ 250,000	24 %	\$ -	- %
Donor 2	150,000	14	-	-
Donor 3	-	-	200,000	16
	\$ 400,000	38 %	\$ 200,000	16 %

Donors that represented 10% or more of total contribution receivable were as follows as of June 30:

	2025		2024	
Donor 1	\$ 250,000	77 %	\$ -	- %
Donor 2	50,000	15	-	-
Donor 3	-	-	184,622	41
Donor 4	-	-	100,000	22
	\$ 300,000	92 %	\$ 284,622	63 %

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated by direct and indirect identification among the programs and supporting services benefited. Personnel related expense allocations are based on the staff time spent on each function. Expenses that are not directly associated with a specific program function are allocated among program services and the other activities benefited.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, were comprised of the following as of June 30:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,171,104	\$ 3,235,149
Contributions receivable	324,957	349,778
Total financial assets available	3,496,061	3,584,927
Less: those unavailable for general expenditures:		
Donor purpose restrictions	(407,532)	(632,282)
Amount expected to be released within one year	50,000	175,000
Financial assets available to meet general expenditures over the next twelve months	\$ 3,138,529	\$ 3,127,645

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Property and Equipment, Net

Property and equipment are recorded at cost (if purchased), or at estimated fair market value (if donated). Property and equipment consisted of the following as of June 30:

	2025	2024
Computers	\$ 22,638	\$ 14,034
Less: accumulated depreciation	(13,206)	(11,062)
Property and equipment, net	\$ 9,432	\$ 2,972

Depreciation expense was \$2,144 for each of the years ended June 30, 2025 and 2024.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

5. Net Assets with Donor Restrictions

From time to time, the Organization receives contributions subject to donor restrictions. Those contributions received with restrictions are released from restrictions when expenses are incurred, the purpose has been fulfilled, or through passage of time. Net assets with donor restrictions were available for the following purposes as of June 30:

	2025	2024
Purpose restrictions:		
Education program for designated schools	\$ 407,532	\$ 467,532
Time restrictions	-	164,750
Total net assets with donor restrictions	\$ 407,532	\$ 632,282

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

	2025	2024
Purpose restrictions accomplished:		
Education program for designated schools	\$ 591,448	\$ 95,100
Time restrictions accomplished	164,750	668,272
Total	\$ 756,198	\$ 763,372

6. Related-Party Transactions and In-Kind Contributions

The Organization recognized the following amounts of contributed nonfinancial assets within the statements of activities and changes in net assets for the years ended June 30:

	2025	2024
Fundraising services	\$ 100,000	\$ 100,000
Art supplies and event space	40,688	102,947
Office rent	40,000	40,000
Legal services	9,200	-
	\$ 189,888	\$ 242,947

For the years ended June 30, 2025 and 2024, a member of the Board provided free office rent and fundraising services to the Organization. These fundraising services had an estimated fair value of approximately \$100,000 for the years ended June 30, 2025 and 2024. The Organization has reported this amount as an in-kind contribution and professional fee expense in the Organization's statements of activities and change in net assets. The estimated fair value of office space reported by the Organization as in-kind contribution and occupancy expense was \$40,000 for each of the years ended June 30, 2025 and 2024.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2025 and 2024

7. Employee Benefit Plan

The Organization offers participation in a 403(b) tax deferred annuity plan to all eligible employees. A total of \$19,696 and \$18,232 of employer contributions were made by the Organization for the years ended June 30, 2025 and 2024, respectively.

8. Employee Retention Tax Credits

Under the Consolidations Appropriations Act, 2021 passed by the United States Congress and signed by the President on December 27, 2020, provisions of the Coronavirus Aid Relief and Economic Security Act were extended and modified making the Organization eligible for a refundable employee retention credit subject to meeting certain criteria. For the years ended June 30, 2025 and 2024, the Organization recorded \$0 and \$95,000, respectively, as employee retention credit in the statement of activities. This amount was collected during the year ended June 30, 2024.

9. Subsequent Events

Subsequent events have been evaluated through February 26, 2026, which is the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2025 that require recognition or disclosure in such financial statements.