SITAR ARTS CENTER

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

SITAR ARTS CENTER

CONTENTS

WEYRICH | CRONIN | SORRA

Independent Auditors' Report

To the Board of Directors
Sitar Arts Center
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Sitar Arts Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Sitar Arts Center as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sitar Arts Center 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.

Prior Period Financial Statements

The financial statements of Sitar Arts Center as of June 30, 2022, were audited by other auditors whose report dated November 17, 2022 expressed an unmodified opinion on those statements. As discussed in Note 18, it was determined that net assets with donor restrictions released during the year ended June 30, 2022 were understated by $1,000,000. Accordingly, the financial statements as of and for the year ended June 30, 2022 have been restated. The other auditors reported on the June 30, 2022 financial statements before the restatement.

As part of the June 30, 2023 financial statements, we also audited the adjustment described in Note 18 that was applied to restate the June 30, 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2022 financial statements of Sitar Arts Center other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2022 financial statements as a whole.

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 Sitar Arts Center's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 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 Sitar Arts Center'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 Sitar Arts Center's ability to continue as a going concern for a reasonable period of time.

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

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.

Wegrich, Cronin & Sorra, LLC

Hunt Valley, Maryland
December 7, 2023

SITAR ARTS CENTER

Statements of Financial Position
June 30, 2023 and 2022

ASSETS

	2023	Restated 2022
ASSETS:		
Cash and cash equivalents	$ 2,144,406	$ 2,044,169
Investments	411,215	373,845
Accounts receivable	46,423	- 0 -
Grants and contributions receivable, net	1,397,837	2,030,135
Government grants receivable	404,578	55,241
Prepaid expenses and other assets	54,102	55,238
Property and equipment, net	6,443,922	6,630,704
Deposits	1,500,000	1,000,000
TOTAL ASSETS	$ 12,402,483	$ 12,189,332

LIABILITIES AND NET ASSETS

	2023	Restated 2022
LIABILITIES:		
Accounts payable and accrued expenses	$ 168,991	$ 192,642
Deferred revenue	47,438	2,155
Forgivable loans	1,300,000	1,410,000
Mortgage payable, net	1,485,155	1,517,139
Total Liabilities	3,001,584	3,121,936
NET ASSETS:		
Without donor restrictions		
Undesignated	6,021,876	5,191,268
Board designated	449,033	373,845
	6,470,909	5,565,113
With donor restrictions	2,929,990	3,502,283
Total Net Assets	9,400,899	9,067,396
TOTAL LIABILITIES AND NET ASSETS	$ 12,402,483	$ 12,189,332

See accompanying notes to financial statements.

SITAR ARTS CENTER

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
SUPPORT AND REVENUE:			
Contributions			
Individuals	$ 642,830	$ 189,329	$ 832,159
Foundations	486,500	611,000	1,097,500
Corporate	157,048	150,000	307,048
Other	4,310	- 0 -	4,310
Government grants	685,675	- 0 -	685,675
In-kind contributions	41,121	- 0 -	41,121
Registration income	73,815	- 0 -	73,815
Rental income	39,060	- 0 -	39,060
Other income	407,577	- 0 -	407,577
Released from restrictions	1,522,622	(1,522,622)	- 0 -
Total Support and Revenue	4,060,558	(572,293)	3,488,265
EXPENSES:			
Program services:			
School Year	1,132,225	- 0 -	1,132,225
Summer	802,996	- 0 -	802,996
Aftercare	331,831	- 0 -	331,831
	2,267,052	- 0 -	2,267,052
Supporting Services:			
Management and general	596,931	- 0 -	596,931
Fundraising	444,063	- 0 -	444,063
	1,040,994	- 0 -	1,040,994
Total Expenses	3,308,046	- 0 -	3,308,046
CHANGE IN NET ASSETS FROM OPERATIONS	752,512	(572,293)	180,219
OTHER INCOME (EXPENSES)			
Investment return	43,284	- 0 -	43,284
Forgivable loans	110,000	- 0 -	110,000
Total Other Income (Expenses)	153,284	- 0 -	153,284
CHANGE IN NET ASSETS	905,796	(572,293)	333,503
NET ASSETS AT BEGINNING OF YEAR	5,565,113	3,502,283	9,067,396
NET ASSETS AT END OF YEAR	$ 6,470,909	$ 2,929,990	$ 9,400,899

See accompanying notes to financial statements.

SITAR ARTS CENTER

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Restated		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
SUPPORT AND REVENUE:			
Contributions			
Individuals	$ 561,067	$ 45,000	$ 606,067
Foundations	550,400	1,162,500	1,712,900
Corporate	104,313	8,400	112,713
Other	296,886	515,000	811,886
Government grants	639,264	- 0 -	639,264
In-kind contributions	117,627	- 0 -	117,627
Registration income	60,466	- 0 -	60,466
Rental income	1,417	- 0 -	1,417
Interest and dividends		- 0 -	- 0 -
Other income	817	- 0 -	817
Released from restrictions	1,355,643	(1,355,643)	- 0 -
Total Support and Revenue	3,687,900	375,257	4,063,157
EXPENSES:			
Program services:			
School Year	914,849	- 0 -	914,849
Summer	908,313	- 0 -	908,313
Aftercare	344,236	- 0 -	344,236
	2,167,398	- 0 -	2,167,398
Supporting Services:			
Management and general	249,533	- 0 -	249,533
Fundraising	424,223	- 0 -	424,223
	673,756	- 0 -	673,756
Total Expenses	2,841,154	- 0 -	2,841,154
CHANGE IN NET ASSETS FROM OPERATIONS	846,746	375,257	1,222,003
OTHER INCOME (EXPENSES)			
Investment return	(57,834)	- 0 -	(57,834)
Forgivable loans	110,000	- 0 -	110,000
Total Other Income (Expenses)	52,166	- 0 -	52,166
CHANGE IN NET ASSETS	898,912	375,257	1,274,169
NET ASSETS AT BEGINNING OF YEAR	4,666,201	3,127,026	7,793,227
NET ASSETS AT END OF YEAR	$ 5,565,113	$ 3,502,283	$ 9,067,396

See accompanying notes to financial statements.

SITAR ARTS CENTER

Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services				Supporting Services			
	School Year	Summer	Aftercare	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 683,912	$ 461,321	$ 227,386	$ 1,372,619	$ 163,136	$ 167,096	$ 330,232	$ 1,702,851
Payroll taxes	55,454	37,028	17,578	110,060	14,116	13,248	27,364	137,424
Employee benefits	80,734	20,924	10,256	111,914	13,774	11,152	24,926	136,840
	820,100	519,273	255,220	1,594,593	191,026	191,496	382,522	1,977,115
Bank charges	- 0 -	650	20	670	12,918	456	13,374	14,044
Dues and subscriptions	25,494	13,085	- 0 -	38,579	32,880	- 0 -	32,880	71,459
Evaluations	- 0 -	- 0 -	3,000	3,000	- 0 -	- 0 -	- 0 -	3,000
Event expenses	7,032	6,628	- 0 -	13,660	33,206	176,802	210,008	223,668
Insurance	9,890	11,936	5,115	26,941	4,092	3,070	7,162	34,103
Occupancy expenses	22,068	26,633	11,414	60,115	9,132	6,848	15,980	76,095
Office supplies and expense	1,205	304	- 0 -	1,509	7,224	- 0 -	7,224	8,733
Parking and transportation	906	8,030	- 0 -	8,936	3,020	- 0 -	3,020	11,956
Postage and delivery	119	- 0 -	- 0 -	119	90	10	100	219
Printing and publication	4,150	255	- 0 -	4,405	2,922	76	2,998	7,403
Professional Fees	116,120	67,282	3,080	186,482	185,486	29,106	214,592	401,074
Repairs and maintenance	24,166	27,888	11,958	64,012	9,560	7,170	16,730	80,742
Staff development	3,320	- 0 -	966	4,286	6,906	5,878	12,784	17,070
Supplies	22,156	30,985	1,496	54,637	1,450	10	1,460	56,097
Telephone	5,625	6,789	2,909	15,323	2,327	1,746	4,073	19,396
Volunteer expenses	932	53	994	1,979	- 0 -	- 0 -	- 0 -	1,979
	1,063,283	719,791	296,172	2,079,246	502,239	422,668	924,907	3,004,153
Depreciation	68,942	83,205	35,659	187,806	28,527	21,395	49,922	237,728
Interest	- 0 -	- 0 -	- 0 -	- 0 -	66,165	- 0 -	66,165	66,165
Total Expenses	$ 1,132,225	$ 802,996	$ 331,831	$ 2,267,052	$ 596,931	$ 444,063	$ 1,040,994	$ 3,308,046

See accompanying notes to financial statements.

SITAR ARTS CENTER

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services				Supporting Services			
	School Year	Summer	Aftercare	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 488,283	$ 577,349	$ 222,536	$ 1,288,168	$ 47,158	$ 35,369	$ 82,527	$ 1,370,695
Payroll taxes	39,560	42,986	14,685	97,231	10,834	8,126	18,960	116,191
Employee benefits	105,234	16,087	6,654	127,975	5,323	3,992	9,315	137,290
	633,077	636,422	243,875	1,513,374	63,315	47,487	110,802	1,624,176
Bank charges	1,404	1,317	334	3,055	225	10,333	10,558	13,613
Dues and subscriptions	27,385	11,038	3,208	41,631	2,567	1,925	4,492	46,123
Evaluations	4,000	8,000	4,500	16,500	- 0 -	- 0 -	- 0 -	16,500
Event expenses	6,504	983	- 0 -	7,487	- 0 -	309,320	309,320	316,807
Insurance	9,128	11,016	4,721	24,865	3,777	2,833	6,610	31,475
Occupancy expenses	40,694	49,114	21,049	110,857	16,839	12,629	29,468	140,325
Office supplies and expense	3,955	1,593	671	6,219	536	403	939	7,158
Parking and transportation	897	900	1,041	2,838	315	186	501	3,339
Postage and delivery	200	43	- 0 -	243	- 0 -	188	188	431
Printing and publication	4,031	1,775	533	6,339	389	292	681	7,020
Professional Fees	51,240	43,207	5,567	100,014	120,465	1,106	121,571	221,585
Repairs and maintenance	9,528	10,998	4,714	25,240	3,771	2,828	6,599	31,839
Staff development	13,194	6,380	3,494	23,068	427	7,942	8,369	31,437
Supplies	21,368	21,507	5,950	48,825	1,244	3	1,247	50,072
Telephone	2,280	2,752	1,179	6,211	943	708	1,651	7,862
Volunteer expenses	2,056	- 0 -	- 0 -	2,056	- 0 -	- 0 -	- 0 -	2,056
	830,941	807,045	300,836	1,938,822	214,813	398,183	612,996	2,551,818
Depreciation	65,275	78,780	33,762	177,817	27,010	20,257	47,267	225,084
Interest	18,633	22,488	9,638	50,759	7,710	5,783	13,493	64,252
Total Expenses	$ 914,849	$ 908,313	$ 344,236	$ 2,167,398	$ 249,533	$ 424,223	$ 673,756	$ 2,841,154

See accompanying notes to financial statements.

SITAR ARTS CENTER

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 333,503	$ 1,274,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on investments	(193)	(9,037)
Unrealized loss (gain) on investments	(24,385)	77,194
Depreciation and amortization	237,728	225,084
Amortization of debt issuance costs	1,322	1,322
Forgivable loans	(110,000)	(110,000)
Forgiveness of Paycheck Protection Program Loan	- 0 -	(293,185)
Donated securities	(25,879)	(25,156)
Change in allowance for uncollectible receivables	(3,974)	39,951
Change in present value discount on multi-year grants and contributions receivable	(22,532)	(2,003)
(Increase) decrease in assets:		
Accounts receivable	(46,423)	1,423
Grants and contributions receivable	658,804	(382,405)
Government grants receivable	(349,337)	(18,211)
Prepaid expenses and other assets	1,136	18,770
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(23,651)	34,562
Deferred revenue	45,283	(11,650)
Net cash provided by operating activities	671,402	820,828
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposit for purchase of property	(500,000)	(1,000,000)
Purchase of investments and reinvested interest	(12,986)	(9,183)
Proceeds from sale of investments	26,073	29,930
Purchase of property and equipment	(50,946)	(37,662)
Net cash used in investing activities	(537,859)	(1,016,915)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	- 0 -	(73,475)
Principal payments on mortgages payable	(33,306)	(28,863)
Net cash used in financing activities	(33,306)	(102,338)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,237	(298,425)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,044,169	2,342,594
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,144,406	$ 2,044,169
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 67,487	$ 47,445
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Gain on forgivable loans	$ 110,000	$ 110,000
Forgiveness of Paycheck Protection Program Loan	$ - 0 -	$ 293,185
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Donations of securities	$ 25,879	$ 25,156
Income from Employee Retention Credit	$ 404,578	$ - 0 -

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Operations - Sitar Arts Center (the Organization) is a nonprofit organization incorporated on June 26, 1998, in the District of Columbia. The mission of the Organization is to engage DC youth, from early childhood to young adulthood, in building a creative community of learning and belonging that removes financial and cultural barriers to arts education and career training. The Organization engages students in affordable, high-quality education and workforce development in the visual, digital, and performing arts so that students learn about themselves and gain critical life skills for learning and work in the 21st century. Its principal sources of revenues and expenses are from the promotion of the Organization's art education activities and the properties.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other assets and liabilities. Revenue is recognized when earned and expenses when incurred.

Use of 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 certain reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

Cash and Cash Equivalents - For financial reporting purposes, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

1. Organization and Summary of Significant Accounting Policies (continued)

Investments – Investments of mutual funds with readily determinable fair values are reported at their fair values in the statements of financial position based on quoted prices in active markets (Level 1 measurements). Realized and unrealized and gains and losses are recorded in the period in which they occur and are included in the statements of activities and changes in net assets as changes in net assets without donor restrictions unless their use is restricted by explicit donor imposed stipulations or by law. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Accounts Receivable – Accounts receivable are all due within one year and recorded at net realizable value. Management determines the allowance for doubtful accounts using historical experience. There is no provision for doubtful accounts, based on management's evaluation of the accounts receivable at June 30, 2023 and 2022, as management deems all accounts receivable to be fully collectible.

Grants and Contributions Receivable, net – Grants and contributions are reflected at net present value based on projected cash flows. Amounts receivable in more than one year were discounted to net present value using rates that considered market and credit risks. A discount and allowance for uncollectible promises to give of $62,639 and $85,171 have been recorded for the years ended June 30, 2023, and 2022, respectively. Management reviews receivables on an annual basis to determine if any receivables are potentially uncollectible. Receivable balances that are determined to be uncollectible are included in the overall allowance for uncollectible receivables, which reduces receivables in the statements of financial position. The allowance for uncollectible receivables was $0- and $3,974 for the years ended June 30, 2023 and 2022, respectively.

Government Grants Receivable – Government grants receivable represent amounts due from government agencies, foundations, and other organizations and are recorded at their net realizable value. No allowance has been deemed necessary. Grants and contracts made to the Organization are recorded as a receivable and as revenue as of the date the grants are awarded if the awards are unconditional or if the conditions for recognition have been met. These amounts are recorded at the net present value of such future payments. Total government grants receivable at June 30, 2022 were deemed collectible within one year, therefore no discount was recorded. The totality of government grants receivable due for the year ended June 30, 2022 were collected during the year ended June 30, 2023. Government grants receivable were $404,578 and $55,241 for the years ended June 30, 2023 and 2022, respectively.

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment – Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated. Such donations are reported as contributions 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 property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed as incurred. The Organization's policy is to capitalize all property and equipment purchased at a cost of $1,000 or more and with a useful life exceeding one year. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in the statements of activities and changes in net assets.

Land is not depreciated or amortized. The cost or fair value of property and equipment is depreciated or amortized over the estimated useful lives of the related assets using the straight-line method. The following represents the estimated useful lives:

Category	Years
Musical instruments	5 years
Furniture and equipment	5 - 7 years
Building and building improvements	10 - 40 years

Deposits – Represents nonrefundable amounts paid towards the purchase agreement for 1724 Kalorama Road (see Note 14).

Deferred Revenue – When grants or other fees are conditional, wherein the Organization has to perform services in order to earn the income, revenue is recognized when the services are performed. Accordingly, deferred revenue is recorded on these types of grants when funds are received but revenue has not been earned.

Forgivable Loans – Forgivable loans are treated as government grants, as there is reasonable assurance that the Organization will meet the terms necessary for forgiveness of the loans provided. Revenue is recognized as loans are forgiven over the terms of the agreements as non-operating activities in the accompanying statements of activities and changes in net assets (see Note 7).

1. Organization and Summary of Significant Accounting Policies (continued)

Debt Issuance Costs – Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the related mortgage loan payable. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the interest rate on the related loan. During both the years ended June 30, 2023 and 2022, $1,322 of such amortization is included as a component of interest expense in the accompanying statements of functional expenses.

Revenue Recognition - Grants and contributions from individuals, corporations and foundations are recognized when the donor makes a promise to give that is, in substance, unconditional. These amounts are recorded at fair value at the date of the contribution. All contributions are considered available for the Organization's general programs unless specifically restricted by donors. Contributions received or promised are recorded as support with or without donor restrictions depending on the existence and/or nature of any 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 and changes in net assets as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution was received.

The Organization also receives promises to give expected to be collected over multiple accounting periods. The portion receivable in future accounting periods is classified as restricted revenue. The Organization discounts the promises to give using an appropriate discount rate over the contribution period, if material. Amortization of the discount is included in contribution revenue.

Contributions and grants that contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised and where failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Accordingly, deferred revenue is recorded on these types of grants when funds are received but revenue has not been earned.

Additionally, the Organization has agreements with government agencies. The agreements contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Organization before the governmental agency will reimburse those expenditures. Revenue is recognized as expenses are incurred on the accrual basis of accounting.

1. Organization and Summary of Significant Accounting Policies (continued)

Registration Income – Revenue is recognized when the Organization satisfies the performance obligation by performing a service for a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not the meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Rental Income – The Organization recognizes revenues from fixed-price contracts for each event. The contract specifies beginning and ending periods for each individual or group. Contract modifications or refunds are completed prior to the beginning of the event date. Revenue is recognized at the completion of each event. Amounts are billed once the contract is signed. Accounts receivable (contract assets) are amounts that have been billed and not collected. Deposits (contract liabilities) are amounts collected prior to the completion of the event ending date. These deposits are satisfied when revenue is recognized.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased (see Note 12). The Organization also receives a substantial number of services donated by volunteers in carrying out its program services that are not reflected in the accompanying financial statements since they do not meet the criteria for revenue recognition.

Donated Goods – Donated goods consist of various items contributed to the Organization typically for use in programs and activities except for goods donated for the annual gala and silent auction that are monetized. These goods are recorded as in-kind contributions in the accompanying statements of activities at their estimated value at the date of receipt. Donated auction items are recorded at their estimated fair value at the date of donation, and subsequently adjusted based on the proceeds received (see Note 12).

Contributions of Nonfinancial Assets – Occasionally, the Organization receives donations of nonfinancial assets. The Organization’s policy is to use the assets in carrying out the Organization’s programs.

The Organization followed Financial Accounting Standards Board Topic 958-605, Revenue Recognition for Not-for-Profit Entities in accounting for its Paycheck Protection Program (PPP) Loan and Employee Retention Credit (ERC) refund. The loan was effectively accounted for as a conditional grant which, due to a measurable performance or other barrier and a right of return, was not recognized until the conditions on which it depends have been substantially met (see Note 6). The ERC was accounted for as a conditional grant, which, due to a measurable performance or other barrier and a right of return, was not recognized until the conditions on which it depends have been substantially met and is reported as a component of government grants receivable (see Note 4).

1. Organization and Summary of Significant Accounting Policies (continued)

The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended June 30, 2023, and 2022 is included in the chart below:

Revenue Type	Timing of Revenue Recognition	2023	2022
Contributions	Upon receipt	$ 2,241,017	$ 3,243,566
Government grants	After expenditures incurred	685,675	639,264
In-kind contributions	Upon receipt	41,121	117,627
Registration Income	Date of event/program	73,815	60,466
Rental income	Date of event	39,060	1,417
Investment income (loss), net	Period earned	43,284	(57,834)
Other income	Point in time	407,577	817
Forgivable loans	Loan term	110,000	110,000
		$ 3,641,549	$ 4,115,323

Functional Allocation of Expenses – Expenses are presented by both function and natural classification in the statement of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits which are allocated on the basis of estimated time and effort as well general overhead including occupancy, professional fees, insurance and depreciation based on staff allocations of time and efforts of programming.

Income Taxes - The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020.

Advertising Costs – The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2023, and 2022 was $1,640 and $46,491, respectively.

Changes in Accounting Principles - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance from accounting for leases under Topic 840, Leases. The Organization has analyzed the provisions of the new guidance and has concluded that no changes are necessary to conform with the new standards since the Organization has no leases that require recognition of operating lease liabilities. The accounting for finance leases remained substantially unchanged and no reclassifications or adjustments in connection with the new guidance has been made.

1. Organization and Summary of Significant Accounting Policies (continued)

Reclassifications – Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

2. Investments and Fair Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Valuation techniques utilized to determine fair value are consistently applied. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and their classification in the valuation hierarchy.

Level 1 Fair Value Measurements

Investment in Mutual Funds

Mutual funds listed or traded on a national market or exchange are generally valued at publicly quoted prices. The Organization's investments in mutual funds consist of domestic and foreign equity and debt instruments with diversified investment strategies.

The Organization's policy is to recognize transfers between levels in the fair value hierarchy at the end of the accounting period. For the years ended June 30, 2023, and 2022 there were no transfers into or out of Level 2 or 3.

2. Investments and Fair Value Measurements (continued)

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy at June 30, 2023 and 2022 as follows:

	2023		
	Cost	Fair Value at Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain
Mutual funds	$ 367,067	$ 411,215	$ 44,148
	$ 367,067	$ 411,215	$ 44,148

	2022		
	Cost	Fair Value at Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain
Mutual funds	$ 354,082	$ 373,845	$ 19,763
	$ 354,082	$ 373,845	$ 19,763

The following schedule summarizes the investment return in the statements of activities and changes in net assets for the years ended June 30, 2023 and 2022:

	2023	2022
Interest and dividend income	$ 18,706	$ 10,323
Net realized gains	193	9,037
Net unrealized gains (losses)	24,385	(77,194)
	$ 43,284	$ (57,834)

Investment expenses, if any, are reported as a component of investment income. The Organization did not have any investment expenses for the years ended June 30, 2023 and 2022.

3. Grants and Contributions Receivable

Grants and contributions receivable are expected to be realized in the following periods:

	2023	2022
Receivables to be collected in:		
Less than one year	$ 657,160	$ 967,795
One to five years	803,316	1,151,485
Grants and contributions receivable	1,460,476	2,119,280
Less: allowance for uncollectible receivables	- 0 -	(3,974)
Less: discount to present value	(62,639)	(85,171)
Grants and contributions receivable, net	$ 1,397,837	$ 2,030,135

Amounts receivable in more than one year were discounted to net present value at an average annual rate of 4.25% and 2.98% at June 30, 2023 and 2022, respectively.

4. Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, to provide economic relief to companies affected by COVID-19. The ERC is a fully refundable credit against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred before October 1, 2021. The maximum credit is based on a qualified-wages ceiling for each employee. The Organization qualified for the ERC during the year ended June 30, 2023 in the amount of $404,578. This amount has been recognized as a component of other income on the statement of activities and changes in net assets for the year ended June 30, 2023.

5. Property and Equipment

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Land	$ 1,400,971	$ 1,400,971
Building	4,679,658	4,679,658
Building improvements	3,094,130	3,094,130
Furniture and equipment	635,396	584,450
Musical instruments	109,578	109,578
Total property and equipment	9,919,733	9,868,787
Less: accumulated depreciation and amortization	(3,475,811)	(3,238,083)
Property and equipment, net	$ 6,443,922	$ 6,630,704

Depreciation expense for the years ended June 30, 2023 and 2022 was $237,728 and $225,084, respectively.

6. Paycheck Protection Program Loan

The Organization borrowed $293,185 on February 22, 2021 under the Paycheck Protection Program (PPP). The PPP loan was for a term of two years and bears interest at a fixed rate of 1% per annum. This loan qualifies for forgiveness after 24 weeks, if all criteria are met. Payments on this loan are deferred until the date the SBA remits the borrower's loan forgiveness amount to the lender, or until 10 months after the 24-week eligibility period if the borrower never requests forgiveness. The Small Business Administration (SBA) approved full forgiveness of the loan, including applicable interest accruals, and remitted the forgiveness amount to the financial institution on April 5, 2022. The Organization recognized the entire $293,185 as a component of other contributions during the year ended June 30, 2022.

7. Forgivable Loans

On June 20, 2005, the Organization received a forgivable loan of $400,000 from the District of Columbia's Department of Housing and Community Development. The loan is unsecured, bears a 0% interest rate, and matures on June 20, 2025. Beginning June 20, 2006, at each anniversary date of the loan, $20,000 of the principal balance will be forgiven, as long as the loan is not in default. The revenue is recorded as amortization of forgivable loans. During the years ended at June 30, 2023 and 2022, the Organization recognized $20,000 as a component of other income – forgivable loan in the accompanying statements of activities and changes in net assets. The balance of the loan at June 30, 2023 and 2022 was $40,000 and $60,000, respectively, and is included in forgivable loans in the accompanying statements of financial position.

On February 13, 2006, the Organization received another forgivable loan of $1,800,000 from the District of Columbia's Department of Housing and Community Development for the purchase of property. The loan bears a 0% interest rate. This loan is secured by the property's deed of trust and matures on February 13, 2036. Beginning February 13, 2017, at each anniversary date of this loan, $90,000 of the principal balance will be forgiven as long as the note is not in default. In the event of the sale of property or noncompliance with loan requirements, the obligation is payable in accordance with the stipulated loan provisions. The revenue is recorded as amortization of forgivable loans. During the years ended at June 30, 2023 and 2022, the Organization recognized $90,000 as a component of other income – forgivable loan in the accompanying statements of activities and changes in net assets. The balance of the loan at June 30, 2023 and 2022 was $1,260,000 and $1,350,000, respectively, and is included in forgivable loans in the accompanying statements of financial position.

8. Line of Credit

On October 29, 2020, the Organization opened a revolving line of credit with a bank in the amount of $1,700,000. The line of credit bears interest at a variable interest rate based on the Wall Street Journal Prime Rate, which was 4.75% as of June 30, 2022. Interest-only payments commenced on November 29, 2020 on any outstanding principal balances, and the sum of any balances was due in full on October 29, 2022. There was no balance outstanding as of June 30, 2022.

In October 2022, the agreement was renewed with a reduction in the available credit reduced to $400,000. The line of credit bears interest at a variable interest rate based on the Wall Street Journal Prime Rate plus .75% with a minimum rate of 8.5%. The rate was 8.5% as of June 30, 2023. Interest-only payments commenced on November 29, 2022 on any outstanding principal balances, and the sum of any balances are due in full on October 29, 2024. There was no balance outstanding as of June 30, 2023.

9. Mortgage Payable

On October 29, 2020, the Organization refinanced its mortgage obligations and consolidated all mortgage obligations with a new lender under one mortgage for the principal sum of $1,600,000. This loan is secured by a deed of trust and security interest in the Organizations property and assets. The loan commenced on October 29, 2020, and is scheduled to mature of October 29, 2030, bearing a fixed interest rate of 3.94%. The balance of this refinanced mortgage as of June 30, 2023 and 2022 was $1,485,155 and $1,517,139, respectively, net of $36,146 and $37,468 of unamortized debt issuance costs, respectively, and is included in mortgages payable in the accompanying statements of financial position.

As of June 30, 2023 and 2022, the Organization was in compliance with covenants required under the mortgage payable.

The future principal payments under the mortgage payable are as follows at June 30:

2024	$ 31,262
2025	32,700
2026	34,031
2027	35,416
2028	36,705
Thereafter	1,351,187
Total payments	1,521,301
Less: unamortized debt issuance costs	(36,146)
Total future principal payments	$ 1,485,155

10. Board Designated Net Assets and Funds Functioning as Endowments

As of June 30, 2023 and 2022, the Board of Directors have designated $37,818 and $0- respectively of net assets without donor restrictions for youth enrichment projects of the Organization.

A portion of the Organization's unrestricted net assets is classified as a Board designated quasi-endowment. This endowment was created by the Board of Directors and invested for the purpose of providing income to be used by the Organization for its general operations. Accordingly, the Board-designated quasi-endowment fund is not subject to the D.C. Uniform Prudent Management of Institutional Funds Act. As of June 30, 2023 and 2022, funds totaling $411,215 and $373,845 represented such funds functioning as endowments.

Investment Return Objectives and Parameters
The Organization’s investment policy provides for a strategy of long-term growth of the Board-designated quasi-endowment fund. Under this policy, the endowment assets are invested with the goal of maximizing total return while avoiding unnecessary risk an maintaining the purchasing power of the underlying assets.

The investment objective is to achieve a real rate of return (net of inflation and expenses) sufficient to generate gains and income on the total funds invested. Risk is evaluated in terms of the total portfolio rather than individual investment. To minimize the risk, the portfolio allows for diversification across asset classes, economic sectors, industry groups, and individual securities.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a strategy in which investment returns are achieved through continued reinvestment of realized capital gains and earned income. The Organization employs a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy
The Organization’s governing Board guides the financial management of the Board-designated quasi-endowment fund and makes decisions on the expenditures of the earnings. The income earned from the fund is utilized for the Organization’s programs and operations.

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Endowment net assets at beginning of the year	$ 373,845	$ 437,592
Investment return - net	43,284	(59,497)
Amounts appropriated for expenditure	(5,914)	(4,250)
Endowment net assets at end of the year	$ 411,215	$ 373,845

11. Net Assets with Donor Restrictions

During the year ended June 30, 2023, it was determined that net assets with donor restrictions released during the year ended June 30, 2022 were understated by $1,000,000. Accordingly, the amounts below have been restated by that amount.

Net assets with donor restrictions as of June 30, 2023 and 2022 represent the following:

	2023	Restated 2022
Purpose restrictions, available for spending:		
Arts and Humanities Education Project	$ - 0 -	$ 5,000
Arts Internship Program	501,455	901,009
Camp Sitar	- 0 -	8,400
Capital Campaign	2,012,585	2,186,598
Infants to 14 - Arts and Education Learning Fund	150,000	175,000
Gala	- 0 -	25,000
Student Database Upgrade	- 0 -	30,000
Workforce Development	- 0 -	55,000
Youth Services	- 0 -	6,776
	2,664,040	3,392,783
Time restrictions:		
Grants receivable restricted for future periods, which are unavailable until due, some of which are also purpose-restricted	265,950	109,500
Total net assets with donor restrictions	$ 2,929,990	$ 3,502,283

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years end June 30, 2023 as follows:

	2023	Restated 2022
Purpose restrictions:		
Arts and Humanities Education Project	$ 5,000	$ - 0 -
Arts Internship Program	399,554	36,991
Camp Sitar	8,400	34,000
Capital Campaign	858,392	1,058,402
Gala	25,000	- 0 -
Infants to 14 - Arts and Education Learning Fund	25,000	25,000
Instrumental Academy	- 0 -	15,000
Pandemic Support	- 0 -	46,250
Student Database Upgrade	30,000	- 0 -
Workforce Development	55,000	- 0 -
Youth Services	6,776	- 0 -
	1,413,122	1,215,643
Time restrictions:		
Grants receivable restricted for future periods, which are unavailable until due, some of which are also purpose-restricted	109,500	140,000
Total net assets released from restrictions	$ 1,522,622	$ 1,355,643

12. In-kind Contributions

The Organization frequently receive various donated goods and services. Donated services are valued at fair market value rates for similar services. Goods and auction items are valued at fair market value for items in similar condition. During the years ended June 30, 2023 and 2022, in-kind contributions were recorded for the following:

	2023	2022
Donated services	$ 20,000	$ 49,733
Goods used in program services	9,765	2,540
Donated auction items	11,356	65,354
	$ 41,121	$ 117,627

Except for donated items that were auctioned at the annual gala, in-kind contributions reported above were utilized in the Organizations programs and activities.

13. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2023	2022
Financial assets at year end	$ 4,404,459	$ 4,503,390
Less those unavailable for general expenditures within one year, due to:		
Receivable payments not due within one year	740,677	1,062,340
Financial assets available to meet cash needs for general expenditures within one year	$ 3,663,782	$ 3,441,050

The Organization maintains a policy of structuring its financial assets to be available and sufficient to cover 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalent balances, as necessary. As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds. Additionally, the Organization considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization also has Board Designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

14. Commitments and Contingencies

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are closed out, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

On June 29, 2022, the Organization entered into a purchase and sale agreement for the property located at 1724 Kalorama Road which clarified the terms of the letter of intent. The terms of the agreement include a purchase price of $4,300,000 and a nonrefundable deposit of $1,000,000. Upon certification that construction is at least 50% complete, an additional deposit of $500,000 will be paid. In May 2023, the Organization paid the second deposit on the property. The total deposit as of June 30, 2023 and 2022 is $1,500,000 and $1,000,000, respectively and is recorded as deposits in the accompanying statements of financial position.

15. Concentrations of Credit and Market Risk

In the ordinary course of business, the Organization's cash and cash equivalents balances and investment balances may exceed the FDIC and SIPC insurance limits. The Organization and its investment manager continually review credit concentrations as part of its asset and liability management.

The Organization may invest in various types of marketable securities. Marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is possible that changes in the values of these securities may occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

During the year ended June 30, 2022, a substantial portion of the Organization’s revenue was generated from two donors. These contributions represent approximately 39% of the Organization’s total support and revenue for the year ended June 30, 2022.

16. Retirement Plan

The Organization maintains a Simple IRA retirement plan for the benefit of its employees. All employees are eligible to participate, and the Organization matches employee contributions up to 3% of each employee’s compensation. The Organization’s contributions to the plan for the years ended June 30, 2023 and 2022 were $24,725 and $19,493, respectively.

17. Related Party Transactions

During the years ended June 30, 2023 and 2022, the Organization’s Board members and their families made contributions to the Organization amounting to $120,066 and $105,437, respectively.

18. Restatement of Previously Issued Financial Statements

As discussed in Note 11, it was determined that net assets with donor restrictions released during the year ended June 30, 2022 were understated by $1,000,000. Accordingly, the financial statements as of and for the year ended June 30, 2022 have been restated as follows:

	As Previously Reported	As Restated
Net assets released from restriction	$ 355,643	$ 1,355,643
Net assets with donor restrictions	4,502,283	3,502,283
Net assets without donor restrictions	4,565,113	5,565,113

19. Subsequent Events

The Organization has evaluated events through December 7, 2023, the date the financial statements were available to be issued.