

FINANCIAL STATEMENTS

SITAR ARTS CENTER

**FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023**

SITAR ARTS CENTER

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
Statement of Financial Position, as of June 30, 2024, with Summarized Financial Information for 2023	4
Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2024, with Summarized Financial Information for 2023	5
Statement of Functional Expenses, for the Year Ended June 30, 2024, with Summarized Financial Information for 2023	6
Statement of Cash Flows, for the Year Ended June 30, 2024, with Summarized Financial Information for 2023	7
NOTES TO FINANCIAL STATEMENTS	8 - 18



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Sitar Arts Center (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 the Organization as of June 30, 2024, and the change 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 audit 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 the Organization 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 the Organization's 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.

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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 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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organization's 2023 financial statements, which were audited by other auditors and, in their report dated December 7, 2023, they expressed an unmodified opinion on those statements.



November 13, 2024

SITAR ARTS CENTER
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,106,231	\$ 2,144,406
Investments	467,100	411,215
Grants and contributions receivable	2,817,791	1,397,837
Government grant receivable	404,578	404,578
Other receivables	2,122	46,423
Prepaid expenses	68,737	54,102
Property and equipment, net of accumulated depreciation and amortization of \$3,523,841	6,442,690	6,443,922
Deposits	1,500,000	1,500,000
TOTAL ASSETS	\$ <u>13,809,249</u>	\$ <u>12,402,483</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Mortgage payable, net	\$ 1,455,215	\$ 1,485,155
Forgivable loans	1,190,000	1,300,000
Accounts payable and accrued liabilities	271,734	168,991
Deferred revenue	19,200	47,438
Refundable advance	10,754	-
Total liabilities	2,946,903	3,001,584

NET ASSETS

Without donor restrictions		
Undesignated	5,978,109	6,021,876
Board designated	505,184	449,033
	6,483,293	6,470,909
With donor restrictions	4,379,053	2,929,990
Total net assets	10,862,346	9,400,899
TOTAL LIABILITIES AND NET ASSETS	\$ <u>13,809,249</u>	\$ <u>12,402,483</u>

SITAR ARTS CENTER

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,385,429	\$ 2,912,985	\$ 4,298,414	\$ 2,241,017
Government grants	531,101	-	531,101	685,675
Contributed nonfinancial assets	66,715	-	66,715	41,121
Rental income	59,683	-	59,683	39,060
Registration income	86,258	-	86,258	73,815
Other revenue	5,520	-	5,520	407,577
Net assets released from donor restrictions	<u>1,463,922</u>	<u>(1,463,922)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,598,628</u>	<u>1,449,063</u>	<u>5,047,691</u>	<u>3,488,265</u>
EXPENSES				
Program Services:				
School Year	842,341	-	842,341	1,132,225
Summer	806,548	-	806,548	802,996
Workforce	<u>1,068,887</u>	<u>-</u>	<u>1,068,887</u>	<u>331,831</u>
Total program services	<u>2,717,776</u>	<u>-</u>	<u>2,717,776</u>	<u>2,267,052</u>
Supporting Services:				
Management and General	625,712	-	625,712	596,931
Fundraising	<u>408,907</u>	<u>-</u>	<u>408,907</u>	<u>444,063</u>
Total supporting services	<u>1,034,619</u>	<u>-</u>	<u>1,034,619</u>	<u>1,040,994</u>
Total expenses	<u>3,752,395</u>	<u>-</u>	<u>3,752,395</u>	<u>3,308,046</u>
Change in net assets from operations	<u>(153,767)</u>	<u>1,449,063</u>	<u>1,295,296</u>	<u>180,219</u>
OTHER INCOME				
Investment return, net	56,151	-	56,151	43,284
Forgivable loans	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>
Total other income	<u>166,151</u>	<u>-</u>	<u>166,151</u>	<u>153,284</u>
Change in net assets	12,384	1,449,063	1,461,447	333,503
Net assets at beginning of year	<u>6,470,909</u>	<u>2,929,990</u>	<u>9,400,899</u>	<u>9,067,396</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,483,293</u>	<u>\$ 4,379,053</u>	<u>\$ 10,862,346</u>	<u>\$ 9,400,899</u>

SITAR ARTS CENTER

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024						2023		
	Program Services			Supporting Services			Total Expenses	Total Expenses	
	School Year	Summer	Workforce	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$415,571	\$497,243	\$ 763,701	\$1,676,515	\$ 160,652	\$ 165,340	\$ 325,992	\$2,002,507	\$1,702,851
Payroll taxes	37,896	37,522	61,063	136,481	30,092	13,392	43,484	179,965	137,424
Employee benefits	44,391	40,348	32,647	117,386	29,165	20,029	49,194	166,580	136,840
Professional fees	58,481	71,251	85,396	215,128	125,361	3,963	129,324	344,452	401,074
Interest	-	-	-	-	61,691	-	61,691	61,691	66,165
Occupancy expenses	26,172	4,362	4,362	34,896	3,362	4,362	7,724	42,620	76,095
Event expenses	8,746	14,228	14,330	37,304	70,919	147,085	218,004	255,308	223,668
Supplies	18,369	15,594	25,128	59,091	4,567	-	4,567	63,658	56,097
Repairs and maintenance	53,949	8,428	8,428	70,805	11,668	8,428	20,096	90,901	80,742
Insurance	13,653	2,275	2,275	18,203	3,501	2,275	5,776	23,979	34,103
Printing and publication	1,280	230	258	1,768	6,412	33	6,445	8,213	7,403
Bank charges	10,321	2,845	1,490	14,656	352	4,874	5,226	19,882	14,044
Dues and subscriptions	23,205	9,963	12,129	45,297	29,713	99	29,812	75,109	71,459
Utilities	31,476	5,054	5,054	41,584	3,904	5,054	8,958	50,542	19,396
Office supplies and expense	10,517	1,067	2,694	14,278	32,599	568	33,167	47,445	8,733
Staff development	752	-	256	1,008	11,983	10,162	22,145	23,153	17,070
Volunteer expenses	4,345	50	40	4,435	-	-	-	4,435	1,979
Parking and transportation	3,964	5,096	5,467	14,527	9,011	299	9,310	23,837	11,956
Postage and delivery	17	-	-	17	248	60	308	325	219
Evaluations	5,500	2,000	6,030	13,530	-	-	-	13,530	3,000
Depreciation and amortization	73,736	88,992	38,139	200,867	30,512	22,884	53,396	254,263	237,728
TOTAL	\$842,341	\$806,548	\$1,068,887	\$2,717,776	\$ 625,712	\$ 408,907	\$1,034,619	\$3,752,395	\$3,308,046

See accompanying notes to financial statements.

SITAR ARTS CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,461,447	\$ 333,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	254,263	237,728
Unrealized gain	(30,826)	(24,385)
Realized gain	-	(193)
Amortization of debt issuance costs	1,322	1,322
Discount on long-term receivables	7,265	(22,532)
Change in allowance for bad debt	-	(3,974)
Forgivable loans	(110,000)	(110,000)
Loss on disposal of fixed assets	4,170	-
Donated securities	(29,664)	(25,879)
(Increase) decrease in:		
Grants and contributions receivable	(1,427,219)	658,804
Government grant receivable	-	(46,423)
Other receivables	44,301	(349,337)
Prepaid expenses	(14,635)	1,136
Increase (decrease) in:		
Accounts payable and accrued liabilities	102,743	(23,651)
Deferred revenue	(28,238)	45,283
Refundable advance	10,754	-
Net cash provided by operating activities	<u>245,683</u>	<u>671,402</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(257,201)	(50,946)
Deposit for purchase of property	-	(500,000)
Net proceeds from sale of investments	<u>4,605</u>	<u>13,087</u>
Net cash used by investing activities	<u>(252,596)</u>	<u>(537,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage payable	<u>(31,262)</u>	<u>(33,306)</u>
Net cash used by financing activities	<u>(31,262)</u>	<u>(33,306)</u>
Net (decrease) increase in cash and cash equivalents	(38,175)	100,237
Cash and cash equivalents at beginning of year	<u>2,144,406</u>	<u>2,044,169</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,106,231	\$ 2,144,406

See accompanying notes to financial statements.

SITAR ARTS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The 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 presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. "GAAP") related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

SITAR ARTS CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants and contributions receivable -

Grant and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grant and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term portion is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment is depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years for musical instruments, furniture and equipment and 10 to 40 years for building and building improvements. The cost of maintenance and repairs is recorded as expenses are incurred. Land is not depreciated or amortized. Depreciation and amortization expense totaled \$254,263 for the year ended June 30, 2024.

Deposits represents nonrefundable amounts paid towards the purchase agreement for 1724 Kalorama Road (Note 15).

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is to its current value, and a loss is reported in the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Debt issuance costs -

In accordance with GAAP, the Organization presents debt issuance costs as a direct deduction from the related debt obligation in the Statement of Financial Position. Amortization of debt issuance costs is calculated on a straight-line basis over the remaining term of the debt obligation. Amortization is included in interest in the accompanying Statement of Functional Expenses and totaled \$1,322 for the year ended June 30, 2024.

SITAR ARTS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue from contracts with customers -

The Organization's registration and rental income are the most significant revenue streams that are treated as exchange transaction revenue following Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Organization's contracts with customers generally have initial terms of one year or less.

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.

Registration - Registration revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services. Revenue is recognized as performance obligations are satisfied, which is ratably over the term or as of the date of the event. Registration received in advance of the related event(s) are recorded as deferred revenue. 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 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.

Support from grants and contributions -

The Organization receives grants and contributions, including Federal awards from the U.S. Government. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958 Presentation of Financial Statements of Not-For-Profit Entities.

Support from grants and contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

SITAR ARTS CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Support from grants and contributions -

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. Refundable advances totaled \$10,754 as of June 30, 2024.

In addition, the Organization may obtain funding source agreements related to conditional contributions, which will be received in future years. As of June 30, 2024, conditional contributions to be received in future years totaled \$152,802.

Contributed nonfinancial assets -

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed food and beverages. Contributed 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 by the Organization. None of the contributed nonfinancial assets were restricted by donors. None of the donated goods were monetized through sale.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort. Occupancy, depreciation, and office costs were allocated based on square footage occupied.

Investment risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 that such changes could materially affect the amounts reported in the accompanying financial statements.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

SITAR ARTS CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended June 30, 2024. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission ("SEC") and are deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2024.

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 6,587	\$ -	\$ -	\$ 6,587
Mutual funds	460,513	-	-	460,513
TOTAL INVESTMENTS	\$ 467,100	\$ -	\$ -	\$ 467,100

Net investment return consisted of the following for the year ended June 30, 2024:

Interest and dividends	\$ 25,325
Unrealized gain	30,826
NET INVESTMENT RETURN	\$ 56,151

SITAR ARTS CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization has received written promises to give from various donors and grant totaling \$2,887,695 as of June 30, 2024. Grants and contributions receivable that are due in more than one year have been recorded at the net present value of their estimated future cash flows using discount rate of 3.79%. Grants and contributions receivable are expected to be collected as follows as of June 30, 2024:

Less than one year	\$ 1,885,046
One to five years	<u>1,002,649</u>
Total	2,887,695
Less: Allowance to discount balance to present value	<u>(69,904)</u>
PLEDGES RECEIVABLES, NET	<u>\$ 2,817,791</u>

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 determined during the year ended June 30, 2023 that it qualified for the ERC in the amount of \$404,578 which was recognized as a component of other income on the statement of activities and changes in net assets for the year ended June 30, 2023. The ERC balance outstanding as at June 30, 2024 remained at \$404,578.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2024:

Land	\$ 6,080,629
Equipment	109,578
Computer equipment	457,023
Building improvements	<u>3,319,301</u>
Total Property and equipment	9,966,531
Less: Accumulated depreciation and amortization	<u>(3,523,841)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 6,442,690</u>

6. 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 year ended June 30, 2024, 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, 2024 was \$20,000, and is included in forgivable loans in the accompanying statements of financial position.

SITAR ARTS CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

6. FORGIVABLE LOANS (Continued)

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 year ended June 30, 2024, 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, 2024 was \$1,170,000 and is included in forgivable loans in the accompanying statements of financial position.

7. 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, 2024 was \$1,455,215, net of \$34,824 of unamortized debt issuance costs, respectively, and is included in mortgages payable in the accompanying statements of financial position.

Future maturities of the note payable and the related amortization of debt issuance costs are as follows as of June 30, 2024:

<u>Year Ending June 30,</u>		
2025		\$ 32,700
2026		34,031
2027		35,416
2028		36,705
2029		38,350
Thereafter		<u>1,312,837</u>
	Total Payments	1,490,039
	Less: Unamortized debt issuance costs	<u>(34,824)</u>
	TOTAL FUTURE PRINCIPAL PAYMENTS	<u>\$ 1,455,215</u>

Interest expense related to the note payable was calculated using a fixed interest rate of 3.94% and totaled \$60,369 for the year ended June 30, 2024.

8. LINE OF CREDIT

The Organization has a \$400,000 revolving line of credit. 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 prime rate was 8.5% as of June 30, 2024. 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, 2024.

SITAR ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

9. BOARD DESIGNATED NET ASSETS

The Organization's net assets without donor restrictions include certain amounts that have been designated by the Board of Directors.

Board designated net assets included the following as of June 30, 2024:

Quasi-Endowment	\$ 467,100
Youth Enrichment Programs	<u>38,084</u>
BOARD DESIGNATED NET ASSETS	<u>\$ 505,184</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2024:

Subject to expenditure for specified purpose:	
Arts Internship Program	\$ 1,796,521
Capital Campaign	2,317,439
Subject to passage of time:	
	<u>265,093</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,379,053</u>

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended June 30, 2024:

Purpose restrictions accomplished:	
Arts Internship Program	\$ 501,455
Capital Campaign	751,517
Expiration of time restrictions:	
	<u>210,950</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,463,922</u>

11. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of June 30, 2024:

Cash and cash equivalents	\$ 2,106,231
Investments	467,100
Government grant receivable	406,671
Grants and contributions receivable and other	<u>2,817,791</u>
Subtotal financial assets available within one year	5,797,793
Less: Donor restricted funds	(4,379,053)
Less: Board designated funds	<u>(505,184)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 913,556</u>

SITAR ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

11. LIQUIDITY AND AVAILABILITY (Continued)

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, the Organization has board designated net assets without donor restrictions that were established by the Board of Directors that may be drawn upon in the event of financial distress or an immediate liquidity need. In addition, the Organization has a line of credit agreement (as further discussed in Note 8) which allows for additional access to resources.

12. CONTRIBUTED NONFINANCIAL ASSETS

The Organization was the beneficiary of certain contributed nonfinancial assets which allowed the Organization to provide greater resources towards its various programs. No donor-imposed restrictions were associated with the contributed nonfinancial assets, which are recorded at their estimated fair market value as of the date of the gift. In addition, none of the donated goods were monetized through sale.

The contributed nonfinancial assets consisted of the following for the year ended June 30, 2024:

Donated services	\$ 32,840
Goods used in program services	<u>33,875</u>
TOTAL	<u>\$ 66,715</u>

The contributed nonfinancial assets have been recorded in support and in the following functional expense categories (also describe the natural expense category where they are recorded) for the year ended June 30, 2024:

School Year	\$ 66,415
Management and general	<u>300</u>
TOTAL	<u>\$ 66,715</u>

13. 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 year ended June 30, 2024 was \$31,253.

14. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2024, the Organization's Board members and their families made contributions to the Organization amounting to \$147,454.

15. COMMITMENTS

The Organization is committed under an agreement for capital improvement work. Of the initial contract value of \$565,445, \$413,120 remained as of June 30, 2024.

SITAR ARTS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

15. COMMITMENTS (Continued)

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, 2024 is \$1,500,000 and is recorded as deposits in the accompanying statements of financial position.

16. BOARD DESIGNATED ENDOWMENT FUNDS

The Organization's endowment funds consist of funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law -

The 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.

Return Objectives and Risk 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 and 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 and How the Investment Objectives Relate to 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.

SITAR ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

16. BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

Endowment funds consisted of the following as of June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	
Board Designated Funds	\$ <u>467,100</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>467,100</u>

Changes in endowment funds consisted of the following as of and for the year ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	
Endowment funds, beginning of year	\$ 411,215	\$ -	\$ -	\$ 411,215
Net investment return	<u>55,885</u>	<u>-</u>	<u>-</u>	<u>55,885</u>
ENDOWMENT FUNDS, END OF YEAR	\$ <u>467,100</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>467,100</u>

17. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 13, 2024, the date the financial statements were issued.