

**Financial Statements**

**Sitar Arts Center**

**For the Year Ended June 30, 2025  
With Summarized Financial  
Information for 2024**

**Sitar Arts Center**

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**For the Year Ended June 30, 2025**

**With Summarized Financial Information for 2024**

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the financial statements of the Sitar Arts Center (the Organization), which comprise the statement of financial position as of June 30, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the results of its change in 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 (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION**

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. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Report on Summarized Comparative Information

We have previously audited the Organization's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

November 19, 2025

Sitar Arts Center

Statement of Financial Position  
As of June 30, 2025  
With Summarized Financial Information for 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,248,455	\$ 2,106,231
Investments	540,914	467,100
Grants and contributions receivable, net	1,109,505	2,817,791
Government grant receivable	285,853	404,578
Prepaid expenses	82,263	68,737
Other accounts receivable	6,819	2,122
Fixed assets, net	11,164,765	6,442,690
Deposits	-	1,500,000
<b>TOTAL ASSETS</b>	<u><u>\$ 16,438,574</u></u>	<u><u>\$ 13,809,249</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Mortgages payable, net	\$ 4,404,547	\$ 1,455,215
Forgivable loans	1,080,000	1,190,000
Accounts payable and accrued liabilities	297,356	271,734
Refundable advance	100,029	10,754
Deferred revenue	5,775	19,200
<b>Total liabilities</b>	<u>5,887,707</u>	<u>2,946,903</u>

NET ASSETS

Without donor restrictions:		
Undesignated	6,532,818	5,978,109
Board designated	578,988	505,184
<b>Total net assets without donor restrictions</b>	<u>7,111,806</u>	<u>6,483,293</u>
With donor restrictions	<u>3,439,061</u>	<u>4,379,053</u>
<b>Total net assets</b>	<u>10,550,867</u>	<u>10,862,346</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 16,438,574</u></u>	<u><u>\$ 13,809,249</u></u>

See accompanying notes to financial statements.

**Sitar Arts Center**

**Statement of Activities and Change in Net Assets  
For the Year Ended June 30, 2025  
With Summarized Financial Information for 2024**

	2025		2024	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 1,400,903	\$ 1,254,929	\$ 2,655,832	\$ 4,298,414
Government grants	616,160	-	616,160	531,101
Contributed nonfinancial assets	95,615	-	95,615	66,715
Registration income	92,834	-	92,834	86,258
Rental income	28,413	-	28,413	59,683
Other revenue	17,825	-	17,825	5,520
Net assets released from donor restrictions	2,194,921	(2,194,921)	-	-
<b>Total support and revenue</b>	<b>4,446,671</b>	<b>(939,992)</b>	<b>3,506,679</b>	<b>5,047,691</b>
<b>EXPENSES</b>				
<b>Program Services:</b>				
School Year	865,252	-	865,252	842,341
Summer	832,395	-	832,395	806,548
Workforce	1,323,143	-	1,323,143	1,068,887
<b>Total program services</b>	<b>3,020,790</b>	<b>-</b>	<b>3,020,790</b>	<b>2,717,776</b>
<b>Supporting Services:</b>				
Management and General	725,997	-	725,997	625,712
Fundraising	438,289	-	438,289	408,907
<b>Total supporting services</b>	<b>1,164,286</b>	<b>-</b>	<b>1,164,286</b>	<b>1,034,619</b>
<b>Total expenses</b>	<b>4,185,076</b>	<b>-</b>	<b>4,185,076</b>	<b>3,752,395</b>
Change in net assets from operations	261,595	(939,992)	(678,397)	1,295,296
<b>OTHER INCOME</b>				
Investment return, net	81,169	-	81,169	56,151
Interest income	175,749	-	175,749	-
Forgivable loans	110,000	-	110,000	110,000
<b>Total other income</b>	<b>366,918</b>	<b>-</b>	<b>366,918</b>	<b>166,151</b>
Change in net assets	628,513	(939,992)	(311,479)	1,461,447
Net assets at beginning of year	6,483,293	4,379,053	10,862,346	9,400,899
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 7,111,806</b>	<b>\$ 3,439,061</b>	<b>\$ 10,550,867</b>	<b>\$ 10,862,346</b>

See accompanying notes to financial statements.

Sitar Arts Center

Statement of Functional Expenses  
For the Year Ended June 30, 2025  
With Summarized Financial Information for 2024

	2025							2024	
	Program Services			Supporting Services				Total Expenses	Total Expenses
	School Year	Summer	Workforce	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 409,553	\$ 538,644	\$ 836,244	\$ 1,784,441	\$ 188,263	\$ 184,471	\$ 372,734	\$ 2,157,175	\$ 2,002,507
Professional fees	59,294	35,388	190,803	285,485	223,592	4,369	227,961	513,446	344,452
Depreciation and amortization	79,237	95,631	40,985	215,853	32,788	24,591	57,379	273,232	254,263
Event expenses	43,995	3,988	15,082	63,065	1,016	159,967	160,983	224,048	255,308
Employee benefits	46,223	41,378	50,949	138,550	45,593	22,404	67,997	206,547	166,580
Payroll taxes	36,911	44,720	69,867	151,498	35,823	15,135	50,958	202,456	179,965
Supplies	20,715	30,652	62,502	113,869	16,230	-	16,230	130,099	63,658
Repairs and maintenance	58,987	9,718	9,718	78,423	10,305	9,718	20,023	98,446	90,901
Interest	-	-	-	-	94,518	-	94,518	94,518	61,691
Dues and subscriptions	24,021	14,205	8,853	47,079	35,149	-	35,149	82,228	75,109
Utilities	31,851	5,308	5,308	42,467	5,308	5,308	10,616	53,083	50,542
Occupancy expenses	25,249	4,208	4,208	33,665	4,208	4,208	8,416	42,081	42,620
Insurance	12,751	2,125	2,125	17,001	3,868	2,125	5,993	22,994	23,979
Parking and transportation	207	238	12,722	13,167	9,245	171	9,416	22,583	23,837
Staff development	47	-	-	47	9,001	4,716	13,717	13,764	23,153
Bank charges	8,227	2,635	1,144	12,006	1,177	304	1,481	13,487	19,882
Office supplies and expense	2,975	1,152	2,095	6,222	5,599	507	6,106	12,328	47,445
Printing and publication	2,573	2,083	1,497	6,153	3,936	295	4,231	10,384	8,213
Evaluations	-	-	8,995	8,995	-	-	-	8,995	13,530
Volunteer expenses	2,139	250	-	2,389	-	-	-	2,389	4,435
Postage and delivery	297	72	46	415	378	-	378	793	325
<b>TOTAL</b>	<b>\$ 865,252</b>	<b>\$ 832,395</b>	<b>\$ 1,323,143</b>	<b>\$ 3,020,790</b>	<b>\$ 725,997</b>	<b>\$ 438,289</b>	<b>\$ 1,164,286</b>	<b>\$ 4,185,076</b>	<b>\$ 3,752,395</b>

See accompanying notes to financial statements.

**Sitar Arts Center**

**Statement of Cash Flows  
For the Year Ended June 30, 2025  
With Summarized Financial Information for 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (311,479)	\$ 1,461,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	273,232	254,263
Unrealized and realized gain	(48,194)	(30,826)
Amortization of debt issuance costs	1,322	1,322
Discount on long-term grants and contributions receivable	(41,012)	7,265
Receipt of contributed securities	(210,140)	(29,664)
Proceeds from sale of contributed securities	233,544	29,266
Loss on disposal of fixed assets	-	4,170
Forgivable loans	(110,000)	(110,000)
Decrease (increase) in:		
Grants and contributions receivable	1,749,298	(1,427,219)
Government grant receivable	118,725	-
Prepaid expenses	(13,526)	(14,635)
Other accounts receivable	(4,697)	44,301
Deposits	1,500,000	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	25,622	102,743
Refundable advance	89,275	10,754
Deferred revenue	(13,425)	(28,238)
<b>Net cash provided by operating activities</b>	<b>3,238,545</b>	<b>274,949</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(4,995,307)	(257,201)
Purchases of investments	(49,024)	(24,661)
<b>Net cash used by investing activities</b>	<b>(5,044,331)</b>	<b>(281,862)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from mortgage payable	3,000,000	-
Payments on mortgage payable	(32,700)	(31,262)
Loan acquisition costs	(19,290)	-
<b>Net cash provided (used) by financing activities</b>	<b>2,948,010</b>	<b>(31,262)</b>
Net increase (decrease) in cash and cash equivalents	1,142,224	(38,175)
Cash and cash equivalents at beginning of year	2,106,231	2,144,406
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 3,248,455</b>	<b>\$ 2,106,231</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	\$ 61,268	\$ 61,691

See accompanying notes to financial statements.

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 1. Summary of Significant Accounting Policies

##### Organization

The Sitar Arts Center (the Organization) is a non-profit 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 non-profit 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 follow:

- **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, 2024, from which the summarized information was derived.

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with initial maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Money market funds held by investment managers totaled \$22,683 as of June 30, 2025. 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.

##### **Investments**

Investments are recorded at their readily determinable fair value. Investment 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.

##### **Fixed Assets**

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are 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 ten to forty 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 \$273,231 for the year ended June 30, 2025.

##### **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 accompanying Statement of Activities and Change in Net Assets, to its current fair value.

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### 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 U.S. 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, 2025.

##### 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 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 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.

**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.

**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.

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### 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.

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.

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 \$100,029 as of June 30, 2025.

In addition, the Organization may obtain funding source agreements related to conditional contributions, which will be received in future years. However, the Organization had no conditional contributions to be received in future years as of June 30, 2025.

##### 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.

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### 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. These reclassifications related to the presentation of investment activities and had no effect on the change in net assets or total cash flows previously reported.

#### 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 accompanying 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.

**Sitar Arts Center**

**Notes to Financial Statements**

**June 30, 2025**

**2. Investments and Fair Value Measurements (Continued)**

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 year ended June 30, 2025. 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, 2025:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments:</b>				
Money market funds	\$ 22,683	\$ -	\$ -	\$ 22,683
Mutual funds	518,231	-	-	518,231
<b>TOTAL INVESTMENTS</b>	<b>\$ 540,914</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 540,914</b>

Net investment return consisted of the following for the year ended June 30, 2025:

Interest and dividends	\$ 32,975
Unrealized and realized gain	48,194
<b>NET INVESTMENT RETURN</b>	<b>\$ 81,169</b>

**3. Grants and Contributions Receivable**

The Organization has received written promises to give from various donors totaling \$1,138,397 as of June 30, 2025. 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, 2025:

Less than one year	\$ 680,897
One to five years	457,500
<b>Total</b>	1,138,397
Less: Allowance to discount balance to present value	(28,892)
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE, NET</b>	<b>\$ 1,109,505</b>

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 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 Change in Net Assets for the year ended June 30, 2023. The ERC balance outstanding as of June 30, 2025 is \$285,853.

#### 5. Fixed Assets

Fixed assets consisted of the following as of June 30, 2025:

Buildings	\$ 7,713,985
Building improvements	3,761,565
Land	2,915,809
Equipment	109,579
Computer equipment	460,900
<b>Total fixed assets</b>	<u>14,961,838</u>
Less: Accumulated depreciation and amortization	(3,797,073)
<b>FIXED ASSETS, NET</b>	<u><u>\$ 11,164,765</u></u>

During the year ended June 30, 2025, the Organization completed the purchase of property located at 1724 Kalorama Road in Washington, D.C. for approximately \$4,500,000. The purchase was financed in part through a loan, as described in footnote 7. Deposits totaling \$1,500,000 were applied toward the purchase price. The total cost of the property, including deposits and related closing costs, is included in fixed assets on the accompanying Statement of Financial Position.

#### 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 matured 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, 2025, the Organization recognized \$20,000 as a component of other income – Forgivable loan in the accompanying Statement of Activities and Change in Net Assets. The balance of the loan on June 30, 2025 was \$0.

**Sitar Arts Center**

**Notes to Financial Statements**

**June 30, 2025**

**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, 2025, the Organization recognized \$90,000 as a component of other income – forgivable loan in the accompanying Statement of Activities and Change in Net Assets. The balance of the loan at June 30, 2025 was \$1,080,000 and is included in Forgivable loans in the accompanying Statement 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 Organization 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, 2025 was \$1,423,309, net of \$33,502 of unamortized debt issuance costs, respectively, and is included in mortgages payable in the accompanying Statement of Financial Position.

Future maturities of the mortgage payable are as follows:

<b>Year Ending June 30,</b>	
2026	\$ 34,031
2027	35,416
2028	36,705
2029	38,350
2030	39,910
Thereafter	1,272,927
<b>Total payments</b>	<u>1,457,339</u>
Less: Unamortized debt issuance costs	(33,502)
<b>TOTAL FUTURE PRINCIPAL PAYMENTS</b>	<u><u>\$ 1,423,837</u></u>

**Sitar Arts Center**

**Notes to Financial Statements**

**June 30, 2025**

**7. Mortgage Payable (Continued)**

Interest expense related to the note payable was calculated using a fixed interest rate of 3.94% and totaled \$58,931 for the year ended June 30, 2025.

On April 21, 2025, the Organization obtained a new mortgage loan in the principal amount of \$3,000,000. This loan is secured by a deed of trust and security interest in the Organization property and assets. The loan commenced on April 21, 2025, and is scheduled to mature on April 21, 2030, bearing a fixed interest rate of 6.65%. In accordance with a modification to the purchase contract, the seller agreed to pay the monthly mortgage interest payments until certain post-closing conditions were met, which will occur during fiscal year 2026. The balance of this mortgage as of June 30, 2025 was \$2,994,460, net of \$19,290 of unamortized debt issuance costs, respectively, and is included in Mortgages payable in the accompanying Statement of Financial Position.

Future maturities of the mortgage payable are as follows:

<b>Year Ending June 30,</b>	
2026	\$ 5,540
2027	35,122
2028	37,013
2029	40,138
2030	2,882,187
<b>Total payments</b>	<u>3,000,000</u>
Less: Unamortized debt issuance costs	(19,290)
<b>TOTAL FUTURE PRINCIPAL PAYMENTS</b>	<u><u>\$ 2,980,710</u></u>

Interest expense related to the mortgage payable was calculated using a fixed interest rate of 6.65% and totaled \$33,804 for the year ended June 30, 2025.

**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 0.75% with a minimum rate of 6.50%. The prime rate was 8.50% as of June 30, 2025. Interest-only payments commenced on November 30, 2024 on any outstanding principal balances, and the sum of any balances are due in full on October 29, 2026. There was no balance outstanding as of June 30, 2025.

**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.

Sitar Arts Center

Notes to Financial Statements  
June 30, 2025

**9. Board Designated Net Assets (Continued)**

Board designated net assets included the following as of June 30, 2025:

Quasi-Endowment	\$ 540,914
Youth Enrichment Programs	38,084
<b>BOARD DESIGNATED NET ASSETS</b>	<u>\$ 578,998</u>

**10. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30, 2025:

**Subject to expenditure for specified purpose:**

Capital Campaign	\$ 1,808,743
Arts Internship Program	1,301,213
<b>Subtotal</b>	<u>3,109,956</u>
Subject to passage of time	329,105
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>\$ 3,439,061</u>

The following net assets with donor restrictions were released for 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, 2025:

**Purpose restrictions accomplished:**

Capital Campaign	\$ 1,018,695
Arts Internship Program	1,016,226
<b>Subtotal</b>	<u>2,034,921</u>
Expiration of time restrictions	160,000
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<u>\$ 2,194,921</u>

**11. Liquidity and Availability**

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. 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, 2025:

**Sitar Arts Center**

**Notes to Financial Statements  
June 30, 2025**

**11. Liquidity and Availability (Continued)**

Cash and cash equivalents	\$	3,248,455
Investments		540,914
Grants and contributions receivable		1,109,505
Government grant receivable		285,853
Other accounts receivable		6,819
<b>Subtotal financial assets available within one year</b>		5,191,546
Less: Donor-restricted funds		(3,439,061)
Less: Board designated funds		(578,998)
Less: Grants and contributions receivable due on more than one year		(457,500)
		715,987
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$</b>	<b>715,987</b>

**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, 2025:

Donated goods	\$	35,425
Donated services		60,190
<b>TOTAL</b>		<b>\$ 95,615</b>

The contributed nonfinancial assets have been recorded in support and in the following functional (natural) expense categories for the year ended June 30, 2025:

School year (Event expense)	\$	35,425
Management and General (Professional fees)		60,190
<b>TOTAL</b>		<b>\$ 95,615</b>

**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, 2025 was \$40,225.

**14. Related Party**

During the year ended June 30, 2025, the Organization's Board Members and their families made contributions to the Organization amounting to \$136,631.

## Sitar Arts Center

### Notes to Financial Statements

June 30, 2025

#### 15. Commitments

The Organization is committed under an agreement for capital improvement work. Of the initial contract value of \$565,445, \$138,470 remained as of June 30, 2025.

#### 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 total return 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, 2025

**16. Board Designated Endowment Funds (Continued)**

Endowment funds consisted of the following as of June 30, 2025:

Board Designated Funds	<u>\$ 540,914</u>
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Changes in endowment funds consisted of the following as of and for the year ended June 30, 2025:

Endowment funds, beginning of year	\$ 467,100
Net investment return	81,169
Contributions (donated stock sold immediately and withdrawn)	<u>(7,355)</u>
<b>ENDOWMENT FUNDS, END OF YEAR</b>	<u>\$ 540,914</u>

**17. Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 19, 2025, the date the financial statements were issued.