

THE SILK ROAD PROJECT, INC.

Financial Statements

June 30, 2022 and 2021

THE SILK ROAD PROJECT, INC.

June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors
The Silk Road Project, Inc.

Opinion

We have audited the financial statements of The Silk Road Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Silk Road Project, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Silk Road Project, Inc. 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.

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 Silk Road Project, Inc.'s ability to continue as a going concern for 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 Silk Road Project, Inc.'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 Silk Road Project, Inc.'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.

Edelstein & Company LLP

Boston, Massachusetts
April 27, 2023

THE SILK ROAD PROJECT, INC.

Statements of Financial Position June 30,

	2022	2021
Assets:		
Cash	\$ 1,299,244	\$ 2,079,402
Grants and contributions receivable, net	3,485,701	2,292,000
Accounts receivable	65,146	22,400
Other receivables	18,264	103
Prepaid expenses	106,680	65,904
Inventory	8,867	-
Furniture, equipment and improvements, net	13,812	29,954
Website development costs, net	-	2,014
Total assets	<u>\$ 4,997,714</u>	<u>\$ 4,491,777</u>
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 414,121	\$ 243,286
Accrued expenses	81,226	1,615
Deferred revenue	2,706	10,000
Total liabilities	<u>498,053</u>	<u>254,901</u>
Net assets:		
Without donor restrictions:		
Undesignated	135,100	715,391
Board designated:		
Cash reserve	755,585	-
Other	27,533	39,533
Total board designated	<u>783,118</u>	<u>39,533</u>
Total without donor restrictions	918,218	754,924
With donor restrictions	3,581,443	3,481,952
Total net assets	<u>4,499,661</u>	<u>4,236,876</u>
Total liabilities and net assets	<u>\$ 4,997,714</u>	<u>\$ 4,491,777</u>

THE SILK ROAD PROJECT, INC.

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

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total		
Revenue and support:					
Grants and contributions - cash and other financial assets	\$ 1,742,677	\$ -	\$ 1,742,677	\$ 1,609,677	\$ 3,352,354
Contributions of nonfinancial assets	42,667	-	42,667	-	42,667
Performance fees	349,737	-	349,737	-	349,737
Program income	220,750	-	220,750	-	220,750
Other income	19,143	-	19,143	-	19,143
Interest income	2,593	-	2,593	-	2,593
Net assets released from restrictions	1,510,186	-	1,510,186	(1,510,186)	-
Total revenue and support	3,887,753	-	3,887,753	99,491	3,987,244
Expenses and losses:					
Expenses:					
Program services	2,674,777	12,000	2,686,777	-	2,686,777
General and administrative	573,290	-	573,290	-	573,290
Fundraising	458,047	-	458,047	-	458,047
Total expenses	3,706,114	12,000	3,718,114	-	3,718,114
Loss on disposal of furniture, equipment and improvements	6,345	-	6,345	-	6,345
Total expenses and losses	3,712,459	12,000	3,724,459	-	3,724,459
Change in net assets	175,294	(12,000)	163,294	99,491	262,785
Transfers to establish cash reserve	(755,585)	755,585	-	-	-
Net assets, beginning of year	715,391	39,533	754,924	3,481,952	4,236,876
Net assets, end of year	\$ 135,100	\$ 783,118	\$ 918,218	\$ 3,581,443	\$ 4,499,661

THE SILK ROAD PROJECT, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021**

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total		
Revenue and support:					
Grants and contributions - cash and other financial assets	\$ 1,447,050	\$ -	\$ 1,447,050	\$ 3,237,238	\$ 4,684,288
Contributions of nonfinancial assets	71,604	-	71,604	-	71,604
Performance fees	70,371	-	70,371	-	70,371
Program income	95,440	-	95,440	-	95,440
Other income	166,477	-	166,477	-	166,477
Interest income	529	-	529	-	529
Net assets released from restrictions	426,024	-	426,024	(426,024)	-
Total revenue and support	2,277,495	-	2,277,495	2,811,214	5,088,709
Expenses:					
Expenses:					
Program services	1,124,334	-	1,124,334	-	1,124,334
General and administrative	431,854	-	431,854	-	431,854
Fundraising	219,849	-	219,849	-	219,849
Total expenses	1,776,037	-	1,776,037	-	1,776,037
Change in net assets	501,458	-	501,458	2,811,214	3,312,672
Net assets, beginning of year	213,933	39,533	253,466	670,738	924,204
Net assets, end of year	\$ 715,391	\$ 39,533	\$ 754,924	\$ 3,481,952	\$ 4,236,876

THE SILK ROAD PROJECT, INC.

Statements of Cash Flows

For the Years Ended June 30,

2022

2021

Cash flows from operating activities:

Change in net assets	\$ 262,785	\$ 3,312,672
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,811	11,235
Donated furniture	-	(8,000)
Bad debt expense	-	6,421
Adjustment to net present value of grants and contributions receivable	(29,334)	102,000
Write off of accounts payable	-	(157,848)
Inventory write off	-	2,421
Loss on disposal of furniture, equipment and improvements	6,345	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,164,367)	(2,009,360)
Accounts receivable	(42,746)	21,260
Other receivables	(18,161)	14,626
Prepaid expenses	(40,776)	(7,094)
Inventory	(8,867)	-
Accounts payable	170,835	51,708
Accrued expenses	79,611	1,615
Deferred revenue	(7,294)	10,000
Net cash (used in) provided by operating activities	<u>(780,158)</u>	<u>1,351,656</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	-	(20,583)
Net cash used in investing activities	<u>-</u>	<u>(20,583)</u>
Net (decrease) increase in cash	(780,158)	1,331,073
Cash, beginning of year	<u>2,079,402</u>	<u>748,329</u>
Cash, end of year	<u>\$ 1,299,244</u>	<u>\$ 2,079,402</u>
Supplemental disclosure of cash flow information:		
Donated furniture	<u>\$ -</u>	<u>\$ 8,000</u>

THE SILK ROAD PROJECT, INC.

**Statements of Functional Expenses
For the Years Ended June 30,**

	2022				2021			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Compensation and related expenses:								
Salaries	\$ 797,222	\$ 308,782	\$ 333,867	\$ 1,439,871	\$ 364,442	\$ 190,110	\$ 147,052	\$ 701,604
Payroll taxes and employee benefits	154,547	95,753	77,970	328,270	102,347	52,042	36,324	190,713
Total compensation and related expenses	951,769	404,535	411,837	1,768,141	466,789	242,152	183,376	892,317
Performer/Artist fees	698,934	-	-	698,934	399,890	-	650	400,540
Travel	278,012	6,715	14,802	299,529	28,446	-	4,677	33,123
Contract services	202,407	2,598	2,000	207,005	86,844	49,016	3,280	139,140
Scholarships	190,920	-	-	190,920	-	-	-	-
Meals and entertainment	142,758	4,287	2,319	149,364	8,167	88	1,332	9,587
Professional fees	12,085	64,415	-	76,500	-	53,205	-	53,205
Marketing and public relations	46,250	-	-	46,250	61,366	-	500	61,866
Occupancy	22,855	9,886	9,926	42,667	41,342	11,519	11,131	63,992
Subscriptions	7,074	24,250	5,570	36,894	6,220	12,545	879	19,644
Commissions on performances	34,125	-	-	34,125	7,556	-	-	7,556
Venue and storage rental	28,180	1,390	1,500	31,070	-	-	-	-
Supplies	22,044	3,062	2,230	27,336	3,051	13,787	909	17,747
Equipment rental	23,313	-	-	23,313	3,900	-	-	3,900
Insurance	-	19,537	-	19,537	-	20,272	-	20,272
Public relations and hospitality	14,817	-	16	14,833	35	-	6,540	6,575
Depreciation and amortization	-	11,811	-	11,811	-	11,235	-	11,235
Miscellaneous	6,238	4,349	1,216	11,803	5,956	7,505	954	14,415
Bank and other fees	44	10,527	-	10,571	10	3,372	-	3,382
Printing and copying	1,362	11	5,962	7,335	-	57	5,234	5,291
Telephone and internet	742	4,393	150	5,285	20	1,231	-	1,251
Postage and delivery	1,965	496	519	2,980	-	449	387	836
Advertising	883	1,028	-	1,911	3,742	-	-	3,742
Bad debt expense	-	-	-	-	1,000	5,421	-	6,421
	<u>\$ 2,686,777</u>	<u>\$ 573,290</u>	<u>\$ 458,047</u>	<u>\$ 3,718,114</u>	<u>\$ 1,124,334</u>	<u>\$ 431,854</u>	<u>\$ 219,849</u>	<u>\$ 1,776,037</u>

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

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

1. Organization and Purpose

The Silk Road Project, Inc. (the “Project”) is a developer of musical and multimedia projects for public educational purposes. The Project was incorporated as a Massachusetts nonprofit corporation in November 1998 and commenced its operations in January 1999. One of the Project’s major programs is The Silk Road Ensemble (the “Ensemble”). The Silk Road Ensemble is comprised of performers and composers from more than 20 countries, who co-create art, performance and ideas. Through performances and the creation of new music, cultural partnerships, education programs, and cross-disciplinary collaborations, the Project seeks to create meaningful change at the intersection of the arts, education, and business.

The Project’s primary sources of revenue and support are from grants and contributions.

2. Summary of Significant Accounting Policies

Basis of Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to The Silk Road Project, Inc., the Project determines the classification of its net assets and its revenue and support, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Project and changes therein are classified and reported as follows:

Net assets without donor restrictions represent resources whose use is not restricted by donors. Net assets without donor restrictions are further classified as follows:

Undesignated net assets represent resources available for support of the Project’s general operations.

Board designated net assets are composed of resources that have been earmarked for a particular project or for a cash reserve fund. Disbursement of funds is in accordance with a policy established by the Board of Directors, as further described in Note 9.

Net assets with donor restrictions represent resources restricted by donors and grantors. Some donor restrictions are temporary in nature, for a specific purpose or time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Income on these invested endowment funds is utilized in accordance with the donors’ stipulations.

The Project had no net assets with donor restrictions which were perpetual in nature at June 30, 2022 and 2021, or during the years then ended.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncement

On July 1, 2021, the Project adopted Financial Accounting Standards Board's Accounting Standards Update No. 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which improves transparency in the reporting of contributed nonfinancial assets. ASU 2020-07 requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, and the valuation techniques and inputs used to arrive at a fair value measure. ASU 2020-07 was adopted on a retrospective basis and did not result in a change in the judgment or timing associated with the recognition of revenue for the Project. As such, the adoption of ASU 2020-07 did not result in a cumulative adjustment as of July 1, 2021, and it did not have a material impact on the Project's financial statements.

Revenue and Support

Grants and contributions are recorded as revenue in the period in which the donor's commitment is made, if unconditional. Unconditional grants and contributions are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as support with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the purpose restriction or expiration of the time restriction. Conditional grants and contributions are recognized as support when the performance and/or control barriers are met by the Project.

Performance fees are generated from concerts performed by The Silk Road Ensemble or various members of the Ensemble. The transaction price is equivalent to the agreed upon amount contained in the contracts for the concerts. The delivery of the concert at a point in time is considered the performance obligation, and revenue is recognized when the concert occurs.

Program income consists of revenue from various programs related to the Project's mission which are primarily from artist residencies and the Global Musician Workshop. The transaction price for the artist residencies is the amount of consideration to which the Project expects to be entitled in exchange for transferring the promised deliverables to the customer as outlined in the contract. The performance obligations for the artist residencies consists of meetings with the students for the residencies. Revenue for the artist residencies is recognized at the point in time when the residencies are complete. The transaction price for the Global Musician Workshop is set at a stated rate for attendees. Holding the workshop for registered participants is the performance obligation, and revenue is recognized on the date that the workshop commences as registration fees are not refundable after commencement of the program. Any amounts received in advance of meeting performance obligations are reported as deferred revenue.

Other income consists of revenue from sources other than those described above, which is received outside of the normal course of operations. This revenue is recognized when the events associated with the revenue occur.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support (continued)

Contributions of furniture, equipment and improvements are recorded as contributions at fair value on the date of donation. Such contributions are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, equipment and improvements are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Project reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Project reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Project receives in-kind support in the form of contributed office space which is recognized at fair value. Additionally, the Project receives contributions of time by volunteers, including Board members. These contributions do not meet the criteria for recognition of in-kind support, and therefore, they have not been reflected in the financial statements.

Cash

Cash consists of deposits held in checking and savings accounts at a federally insured bank.

Inventory

Inventory consists of CD recordings, posters, T-shirts, and water bottles, and is stated at lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Furniture, Equipment and Improvements

Furniture, equipment and improvements are recorded at cost if purchased, or at fair value at the time of receipt, if donated, net of accumulated depreciation and amortization. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas additions in excess of \$1,000 are capitalized. The improvements were fully amortized in a prior year and were disposed of during the year ended June 30, 2022. Depreciation on the furniture and equipment is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to five years.

Website Development Costs

Website development costs consisted of costs incurred in connection with the development of the Project's website, which were amortized on a straight-line basis over three years.

Advertising

The Project expenses advertising costs as incurred.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The Project reports its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are recorded directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to both program and support services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, and occupancy, which are allocated on the basis of estimates of time and effort.

Use of Estimates and Subsequent Events

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Project's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on April 27, 2023, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Income Taxes

The Project is a publicly supported tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes. The Project is also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180.

Reclassifications

Certain amounts from 2021 have been reclassified in the financial statements in order to conform to 2022 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to the receivable. No allowance for uncollectible amounts was deemed necessary at June 30, 2022 or 2021.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

4. Grants and Contributions Receivable

Grants and contributions receivable, net consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 3,367,167	\$ 1,225,000
Receivable in one to five years	<u>122,200</u>	<u>1,100,000</u>
	3,489,367	2,325,000
Less - discount to net present value	<u>(3,666)</u>	<u>(33,000)</u>
	<u>\$ 3,485,701</u>	<u>\$ 2,292,000</u>

Grants and contributions receivable are reported at their net realizable value based on the amount management expects to collect on outstanding balances. The present value of estimated future cash flows was determined using a discount rate of 3% for the years ended June 30, 2022 and 2021.

At June 30, 2022, the Project had conditional grants of \$1,302,333 which will not be recognized as an asset in the statement of financial position or as revenue in the statement of activities and changes in net assets until such time as the conditions of the grants are met.

5. Furniture, Equipment and Improvements

Furniture, equipment and improvements consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 31,566	\$ 63,741
Leasehold improvements	<u>-</u>	<u>103,915</u>
	31,566	167,656
Less - accumulated depreciation	<u>(17,754)</u>	<u>(137,702)</u>
	<u>\$ 13,812</u>	<u>\$ 29,954</u>

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$9,797 and \$5,190, respectively. During the year ended June 30, 2022, the Project moved out of its office space, and disposed of leasehold improvements and certain furniture and equipment with a net book value of \$6,345. During the year ended June 30, 2021, the Project disposed of certain fully depreciated furniture and equipment with a net book value of zero.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

6. Website Development Costs

Website development costs consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Website development costs	\$ 18,133	\$ 18,133
Less - accumulated amortization	<u>(18,133)</u>	<u>(16,119)</u>
	<u>\$ -</u>	<u>\$ 2,014</u>

Amortization expense for the years ended June 30, 2022 and 2021 amounted to \$2,014 and \$6,045, respectively.

7. Line of Credit

The Project has a line of credit with its bank permitting advances of up to \$250,000. Advances bear interest at the prime rate plus 1.5%, with a minimum rate of 5%. The line of credit is secured by all assets of the Project. There were no outstanding balances on the line of credit at June 30, 2022 and 2021, or during the years then ended. Under the terms of the agreement, the Project is subject to certain restrictive covenants. The Project was in compliance with all covenant requirements as of June 30, 2022 and 2021 and for the years then ended.

8. Contributions of Nonfinancial Assets

The Project received the following contributions of nonfinancial assets during the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Rent	\$ 42,667	\$ 63,604	Allocated among program services and supporting functions	None	Estimated fair value of similar office space
Furniture	<u>-</u>	<u>8,000</u>	Used in office for administrative purposes	None	Estimated fair value of similar furniture
	<u>\$ 42,667</u>	<u>\$ 71,604</u>			

The Project occupied office space in a building owned by Harvard University at no charge until the Project terminated its occupancy in February 2022. In addition, during the year ended June 30, 2021, the Project received a contribution of furniture from a member of the Board of Directors.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

9. Net Assets

Board designated net assets consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash reserve funds	\$ 755,585	\$ -
Artists-at-Risk Refugee Fellowship program	<u>27,533</u>	<u>39,533</u>
	<u>\$ 783,118</u>	<u>\$ 39,533</u>

The cash reserve fund was established by the Board of Directors in March 2021, and initially funded during the year ended June 30, 2022. The fund serves as a revolving fund designated to even out operating cash flow throughout the course of the fiscal year, to enable the Project to sustain operations through delays in payments of committed funding and reimbursable contracts, and to promote public and funder confidence in the long-term sustainability of the Project. Additions to the fund are from operating surpluses and contributions made for this purpose.

Net assets with donor restrictions were available for the following purposes or periods at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
American Railroad program and organizational capacity-building	\$ 2,853,469	\$ 2,773,000
Strategic planning and organizational capacity-building	320,000	-
Time restrictions	200,000	394,000
Silkroad Connect program	123,534	-
Indigenous community partnership program	31,000	32,000
Artists-at-Risk Refugee Fellowship program	26,357	-
Cash reserve fund	22,050	-
Cross-cultural work in Houston, TX	5,000	5,000
Global Musician Workshop	33	10,000
Artistic and education program impact scaling	-	201,904
Commission of new musical works	-	20,000
Phoenix Rising program	-	20,000
COVID-19 emergency fund	-	13,098
Artistic director	-	11,000
Public relations and marketing	-	1,950
	<u>\$ 3,581,443</u>	<u>\$ 3,481,952</u>

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

9. Net Assets (continued)

Net assets released from restrictions for the years ended June 30, 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
American Railroad program and organizational capacity-building	\$ 805,820	\$ -
Artistic and education program impact scaling	201,904	119,596
Expiration of time restrictions	200,000	176,668
Silkroad Connect program	103,350	-
Artistic director	74,000	52,000
Phoenix Rising program	42,500	-
Commission of new musical works	20,000	-
Artists-at-Risk Refugee Fellowship program	17,995	-
COVID-19 emergency fund	13,098	10,210
Global Musician Workshop	10,000	-
Home Within program	9,980	-
Organization strategic planning retreat for board, artists and staff	5,089	-
Cash reserve fund	3,500	-
Public relations and marketing	1,950	3,050
Indigenous community partnership program	1,000	-
Diversity, equity and inclusion programs	-	42,500
Composer fees	-	15,000
Worcester, MA programming	-	2,500
Virtual concert	-	2,500
Other programming	-	2,000
	<u>\$ 1,510,186</u>	<u>\$ 426,024</u>

10. Paycheck Protection Program Loan

The Project entered into a Paycheck Protection Program (“PPP”) loan agreement for \$148,276 on March 25, 2021, granted by the Small Business Administration (“SBA”) under the Economic Aid Act. Under the loan agreement, all or a portion of the loan and accrued interest is forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. As the Project expected to meet the PPP’s eligibility criteria for forgiveness in full, it accounted for the entire loan amount as a grant, and recorded revenue as the qualifying expenses were incurred. During the coverage period as defined in the loan agreement, and prior to June 30, 2021, the Project incurred qualifying expenses in excess of the loan amount, and therefore, recognized the entire loan amount of \$148,276 and accrued interest through June 30, 2021 as grant revenue. On September 27, 2021, the Project received full forgiveness of the PPP loan from the SBA.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

11. Collaborative Agreement

The Project has a collaborative agreement with Harvard University (“Harvard”) which expires on June 30, 2023. Under the terms of the agreement, the Project reimburses Harvard for salaries plus an agreed upon percentage for payroll taxes and benefits for certain employees. In addition, the Project provides certain educational programs and performances for Harvard, as stipulated in the collaborative agreement. During the years ended June 30, 2022 and 2021, the Project reimbursed Harvard \$982,741 and \$793,776, respectively. For purposes of the presentation in the statements of functional expenses, the reimbursements to Harvard have been classified into their natural categories.

12. Employee Benefit Plans

Certain Project employees are eligible to participate in the Harvard University Tax Deferred Annuity Plan. These employees are eligible to participate immediately upon hire and can make voluntary contributions to the plan up to the Internal Revenue Code (“IRC”) limit. The Project does not make contributions to this plan.

Certain employees are also eligible to participate in the Harvard University 2001 Staff Retirement Program after six months of employment and if they work at least half time. The Project's contributions are vested three years after the date of employment. The Project made contributions to the plan of \$61,921 and \$50,908 for the years ended June 30, 2022 and 2021, respectively.

The Project provides a defined contribution plan under Section 401(k) of the IRC. Employees who are not eligible to participate in the Harvard University plans, are eligible to participate in this plan after attaining the age of 21 and working 250 hours. Employees can make voluntary contributions to the plan up to the IRC limit. The Project's contributions to the plan are vested three years after the date of employment. The Project made contributions to the plan of \$11,127 and \$2,070 for the years ended June 30, 2022 and 2021, respectively.

13. Concentrations

Approximately 42% and 66% of revenue and support for the years ended June 30, 2022 and 2021 was received from three and two donors, respectively. Approximately 68% and 97% of grants and contributions receivable at June 30, 2022 and 2021 was due from two donors.

The Project has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by Federal Deposit Insurance Corporation. The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

14. Availability and Liquidity

The Project's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date at June 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,299,244	\$ 2,079,402
Grants and contributions receivable, net	3,485,701	2,292,000
Accounts receivable	65,146	22,400
Other receivables	<u>18,264</u>	<u>103</u>
Total financial assets	4,868,355	4,393,905
Less amount not available for general expenditure within one year:		
Net assets with donor restrictions	<u>(3,381,443)</u>	<u>(3,281,952)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,486,912</u>	<u>\$ 1,111,953</u>

Included in financial assets available to meet general expenditures within one year are time restricted net assets comprised of grants and contributions receivable which are collectible within one year. As part of the Project's liquidity plan, excess cash is held in savings and money market accounts. Additionally, the Project maintains a \$250,000 line of credit, as discussed in Note 6. At June 30, 2022 and 2021, \$250,000 remained available on the line of credit.

15. Contingency

In a prior year, the Project was awarded a \$400,000 grant and additional matching funds of \$100,000 from the National Endowment for the Humanities ("NEH") to support the production of a film. The grant agreement included a contingency provision which required the Project to return funding to NEH if all income earned from the film during the grant period and for seven years following the grant completion date exceeds \$50,000. Any amounts due to NEH were to be paid out of the Project's share of the worldwide gross proceeds derived from the distribution, exhibition and exploitation of the film. The formula by which the Project was to pay back NEH was based on a percentage of NEH's proportional funding for the film. Under the terms of the grant agreement with NEH, the Project believed it had a reasonable basis for estimating a contingent loss and believed it was probable that a claim would be asserted by NEH, and thus the Project began recording a contingent liability over the term of the grant agreement which totaled \$157,848 in prior years. However, over the term of the agreement, a claim or request for a required payment was never made by NEH, despite written and oral communications by the Project with personnel at the NEH, therefore, during the year ended June 30, 2021, the Project determined that the likelihood was remote that a claim would be asserted by NEH and thus revised the estimate of the contingent liability to zero. The revision of the estimate resulted in revenue of \$157,848 was included in other income on the statement of activities and changes in net assets for the year ended June 30, 2021.