

**THE SILK ROAD PROJECT, INC.**

**Financial Statements**

**June 30, 2017 and 2016**

**THE SILK ROAD PROJECT, INC.**

**June 30, 2017 and 2016**

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of The Silk Road Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Silk Road Project, Inc. as of June 30, 2017 and 2016, 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.

*Edelstein & Company LLP*

Boston, Massachusetts  
April 4, 2018

# THE SILK ROAD PROJECT, INC.

## Statements of Financial Position June 30,

	2017	2016
<b>Assets:</b>		
Cash	\$ 734,298	\$ 228,214
Grants and contributions receivable, net	1,842,070	2,082,235
Other receivables	44,581	75,495
Prepaid expenses and other current assets	68,530	77,796
Equipment and improvements, net	7,764	8,635
Film costs, net	-	1,096,082
Website development costs, net	-	30,800
<b>Total Assets</b>	<u><u>\$ 2,697,243</u></u>	<u><u>\$ 3,599,257</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 359,425	\$ 572,031
Film production loan	-	120,079
Deferred revenue	-	49,700
<b>Total liabilities</b>	<u><u>359,425</u></u>	<u><u>741,810</u></u>
<b>Net assets:</b>		
Unrestricted:		
Undesignated	(224,567)	134,773
Board designated	125,641	361,590
Total unrestricted	<u>(98,926)</u>	<u>496,363</u>
Temporarily restricted	2,436,744	2,361,084
<b>Total net assets</b>	<u><u>2,337,818</u></u>	<u><u>2,857,447</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 2,697,243</u></u>	<u><u>\$ 3,599,257</u></u>

**THE SILK ROAD PROJECT, INC.**

**Statements of Activities and Changes in Net Assets  
For the Years Ended June 30,**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and other support:</b>						
Performance fees	\$ 2,629,588	\$ -	\$ 2,629,588	\$ 645,833	\$ -	\$ 645,833
Program income	176,737	-	176,737	165,985	-	165,985
Film revenue	624,478	-	624,478	775,000	-	775,000
Grants and contributions	994,126	1,099,612	2,093,738	766,522	1,702,234	2,468,756
Special event, net	-	-	-	26,285	-	26,285
Other income	28,934	-	28,934	15,776	-	15,776
Interest income	154	-	154	458	-	458
Net assets released from restrictions	1,023,952	(1,023,952)	-	1,045,913	(1,045,913)	-
<b>Total revenue and other support</b>	<b>5,477,969</b>	<b>75,660</b>	<b>5,553,629</b>	<b>3,441,772</b>	<b>656,321</b>	<b>4,098,093</b>
<b>Expenses and losses:</b>						
Expenses:						
Program services	3,631,969	-	3,631,969	1,724,535	-	1,724,535
General and administrative	904,864	-	904,864	1,109,127	-	1,109,127
Fundraising	440,343	-	440,343	514,224	-	514,224
<b>Total expenses</b>	<b>4,977,176</b>	<b>-</b>	<b>4,977,176</b>	<b>3,347,886</b>	<b>-</b>	<b>3,347,886</b>
Loss on impairment of film costs	1,096,082	-	1,096,082	-	-	-
<b>Total expenses and losses</b>	<b>6,073,258</b>	<b>-</b>	<b>6,073,258</b>	<b>3,347,886</b>	<b>-</b>	<b>3,347,886</b>
<b>Change in net assets</b>	<b>(595,289)</b>	<b>75,660</b>	<b>(519,629)</b>	<b>93,886</b>	<b>656,321</b>	<b>750,207</b>
<b>Net assets, beginning of year</b>	<b>496,363</b>	<b>2,361,084</b>	<b>2,857,447</b>	<b>402,477</b>	<b>1,704,763</b>	<b>2,107,240</b>
<b>Net assets, end of year</b>	<b>\$ (98,926)</b>	<b>\$ 2,436,744</b>	<b>\$ 2,337,818</b>	<b>\$ 496,363</b>	<b>\$ 2,361,084</b>	<b>\$ 2,857,447</b>

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

# THE SILK ROAD PROJECT, INC.

## Statements of Cash Flows

For the Years Ended June 30,

2017

2016

### Cash flows provided by operating activities:

Change in net assets	\$ (519,629)	\$ 750,207
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,089	529,927
Loss on impairment of film costs	1,096,082	-
Bad debt expense	381,574	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(141,409)	(640,272)
Other receivables	30,914	(70,495)
Prepaid expenses and other current assets	9,266	(34,506)
Accounts payable and accrued expenses	(212,606)	178,613
Deferred revenue	(49,700)	49,700
<b>Net cash provided by operating activities</b>	<u>630,581</u>	<u>763,174</u>

### Cash flows used in investing activities:

Film costs incurred	-	(289,549)
Purchases of equipment and improvements	(4,418)	(6,012)
<b>Net cash used in investing activities</b>	<u>(4,418)</u>	<u>(295,561)</u>

### Cash flows used in financing activities:

Proceeds from film production loan	-	109,267
Payments on film production loan	(120,079)	(454,921)
<b>Net cash used in financing activities</b>	<u>(120,079)</u>	<u>(345,654)</u>

<b>Net increase in cash</b>	506,084	121,959
<b>Cash, beginning of year</b>	<u>228,214</u>	<u>106,255</u>
<b>Cash, end of year</b>	<u>\$ 734,298</u>	<u>\$ 228,214</u>

**THE SILK ROAD PROJECT, INC.**

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

	2017				2016			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Compensation and related expenses:								
Salaries	\$ 396,564	\$ 227,102	\$ 281,913	\$ 905,579	\$ 380,776	\$ 262,781	\$ 285,868	\$ 929,425
Payroll taxes and employee benefits	112,444	62,198	57,407	232,049	110,434	76,454	83,093	269,981
Total compensation and related expenses	509,008	289,300	339,320	1,137,628	491,210	339,235	368,961	1,199,406
Performer/Artist fees	1,600,673	-	-	1,600,673	493,524	-	-	493,524
Contract services	496,098	18,938	26,395	541,431	234,176	6,474	107,092	347,742
Travel	415,125	12,628	40,883	468,636	242,175	7,533	23,861	273,569
Bad debt expense	-	381,574	-	381,574	-	-	-	-
Commissions on performances	354,450	-	-	354,450	88,425	-	-	88,425
Meals and entertainment	96,621	-	1,424	98,045	53,959	-	2,850	56,809
Equipment rental	82,465	-	-	82,465	55,383	-	-	55,383
Professional fees	-	51,935	-	51,935	144	126,407	-	126,551
Miscellaneous	8,615	29,962	-	38,577	7,061	18,144	-	25,205
Depreciation and amortization	-	36,089	-	36,089	-	529,927	-	529,927
Supplies	7,384	13,544	11,518	32,446	6,536	17,970	6,287	30,793
Publications/multimedia	29,884	-	-	29,884	25,177	-	-	25,177
Website	-	22,504	-	22,504	-	10,795	-	10,795
Public relations and hospitality	1,205	567	17,203	18,975	2,055	1,653	5,173	8,881
Insurance	-	18,600	-	18,600	-	18,310	-	18,310
Media and contract services	17,963	-	-	17,963	2,282	-	-	2,282
Occupancy	-	13,500	-	13,500	-	13,500	-	13,500
Telephone	-	11,904	-	11,904	-	15,730	-	15,730
New performance works	9,400	-	-	9,400	13,812	-	-	13,812
Advertising	3,078	590	3,600	7,268	8,616	766	-	9,382
Postage and delivery	-	3,229	-	3,229	-	2,683	-	2,683
	<u>\$ 3,631,969</u>	<u>\$ 904,864</u>	<u>\$ 440,343</u>	<u>\$ 4,977,176</u>	<u>\$ 1,724,535</u>	<u>\$ 1,109,127</u>	<u>\$ 514,224</u>	<u>\$ 3,347,886</u>

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

# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 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 not-for-profit corporation in November 1998, and commenced its operations in January 1999. One of the Project’s major programs is The Silk Road 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 has also produced a documentary film based on the The Silk Road Ensemble, for which it had secured grants and loans to fund the development of the film.

The Project’s primary sources of revenue and support are from performance fees and 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 revenues, 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 as follows:

- 1) *Unrestricted net assets* represent expendable resources that are available for support of the Project’s general operations. Unrestricted net assets are further classified as follows:
- 2) *Temporarily restricted net assets* represent resources restricted by donors for a specific period or purpose.
- 3) *Permanently restricted net assets* represent resources which cannot be expended. Income on these invested endowment funds are utilized in accordance with donors’ stipulations.

The Project had no permanently restricted net assets as of June 30, 2017 or 2016, or during the years then ended.

#### *Revenue and Support*

Contributions and pledges, which include grants, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as temporarily restricted support are reclassified to unrestricted net assets upon satisfaction of the purpose restriction or expiration of the time restriction.

Performance fees are recognized on the date of the related performances.

Program income consists of revenue from education programs which is recognized on the date that the programs take place.



# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Revenue and Support (continued)*

Film revenue consists of revenue earned through exhibition in theaters and licensing to a premium cable network. Revenue from film rentals by theaters is recognized as the film is exhibited. Revenue from the licensing of the film to a cable network is recognized when the film is available to license.

The Project uses an intermediary in executing transactions with third parties related to the film and distribution of revenue. The Project serves as a principal in these transactions as it has substantial risks and rewards of ownership in the film, and therefore, recognizes the film revenue on a gross basis. Commissions or other payments to third parties are recorded as expense.

Revenue from special events is recognized at the time of the event, and is reported net of related costs.

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 federally insured banks.

#### *Equipment and Improvements*

Equipment and improvements are recorded at cost, if purchased, or at fair value at the time of receipt, if donated. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas additions in excess of \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to five years.

#### *Film Costs*

Film costs include the unamortized production costs associated with the production of a documentary film. Amortization of capitalized production costs is provided for using the film forecast computation method. Under this method, the amortization of capitalized costs is based on the proportion of the film's revenues recognized for each period to the film's estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a film's life cycle). The Project reviews, and revises when necessary, its total revenue estimates from the film, which may result in a change in the rate of amortization and/or a write down of the film costs to fair value.

#### *Website Development Costs*

Website development costs consist of costs incurred in connection with the development of the Project's website which are being 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

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### 2. Summary of Significant Accounting Policies (continued)

#### *Functional Allocation of Expenses*

The costs of providing programs and other activities have been detailed in the statement of functional expenses and summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### *Use of Estimates and Subsequent Events*

The presentation of financial statements in conformity with generally accepted accounting principles 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 estimate of the film's ultimate revenues requires significant estimates. It is at least reasonably possible that management's estimates will change in the near term.

The Project's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on April 4, 2018, 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. Returns for tax years beginning with those filed for the year ended June 30, 2014 are open to examination.

### 3. Grants and Contributions Receivable

Grants and contributions receivable consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 802,850	\$ 746,942
Receivable in one to five years	<u>1,080,000</u>	<u>1,406,667</u>
	1,882,850	2,153,609
Less - discount to net present value	<u>(40,780)</u>	<u>(71,374)</u>
	<u>\$ 1,842,070</u>	<u>\$ 2,082,235</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, 2017 and 2016.

# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 4. Equipment and Improvements

Equipment and improvements consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 55,261	\$ 50,843
Leasehold improvements	103,915	103,915
	<u>159,176</u>	<u>154,758</u>
Less - accumulated depreciation	<u>(151,412)</u>	<u>(146,123)</u>
	<u>\$ 7,764</u>	<u>\$ 8,635</u>

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$5,289 and \$7,127, respectively. During the year ended June 30, 2016, the Project cycled off fully depreciated furniture and equipment having an original cost of \$6,422 that were no longer in use or had been disposed.

### 5. Film Costs/Impairment Loss

The Project entered into an agreement with a film production company to create a documentary about the Silk Road Ensemble. Under the terms of the agreement, the Project advanced all direct costs of production of the film to the film production company in accordance with the approved budget.

Film costs consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Film costs	\$ -	\$ 1,588,082
Less - accumulated amortization	-	<u>(492,000)</u>
	<u>\$ -</u>	<u>\$ 1,096,082</u>

For the year ended June 30, 2017, the Project recognized an impairment loss of \$1,096,082 on the film production costs as management estimated that there will be no further revenue earned from the film. For the year ended June 30, 2016, the Project recorded \$492,000 of production cost amortization.

# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 6. Website Development Costs

Website development costs consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Website development costs	\$ 92,400	\$ 92,400
Less - accumulated amortization	<u>(92,400)</u>	<u>(61,600)</u>
	<u>\$ -</u>	<u>\$ 30,800</u>

### 7. Film Production Loan

In September 2014, the Project entered into a co-financing and marketing agreement with a media company in exchange for a variable return based on the revenues earned from worldwide gross proceeds of the film. The maximum loan amount was \$575,000, which had been received in full as of June 30, 2016. Repayments on the loan began during the year ended June 30, 2016 as provided by the agreement's waterfall arrangement, which stipulated the benchmarks by which the media company's loan would be paid. The loan was paid in full during the year ended June 30, 2017. The film production loan balance at June 30, 2016 amounted to \$120,079.

### 8. 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, 2017 and 2016, or during the years then ended. Under the terms of the agreement, the Project is subject to certain restrictive covenants. The Project was not in compliance with the covenant requiring them to maintain a minimum unrestricted net asset balance of \$400,000 at June 30, 2017, and has received a waiver from the bank for the year ended June 30, 2017. The Project was in compliance with all other covenant requirements at June 30, 2017.

### 9. Net Assets

Board designated net assets at June 30, 2017 and 2016 consisted of \$125,641 and \$361,590, respectively, designated for future initiatives.

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cultural Entrepreneurship	\$ 372,945	\$ 419,893
Increase capacity for fundraising	814,113	-
Lame Deer Residency	63,578	-
Education - Passion Driven Learning	33,672	7,500
Time restrictions	<u>1,152,436</u>	<u>1,933,691</u>
	<u>\$ 2,436,744</u>	<u>\$ 2,361,084</u>

# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 9. Net Assets (continued)

Net assets released from restrictions for the years ended June 30, 2017 and 2016 were comprised of the following:

Performances	\$ 65,000	\$ 40,000
Cultural Entrepreneurship	47,405	147,034
Increase capacity for fundraising	76,421	-
Lame Deer Residency	15,522	-
Education - Passion Driven Learning	23,828	200,000
Film production	-	199,416
Global musician workshop	6,265	17,500
Refugee Programs	8,256	-
Expiration of time restrictions	781,255	441,963
	<u>\$ 1,023,952</u>	<u>\$ 1,045,913</u>

### 10. Special Event

Revenue earned from a special event held during the year ended June 30, 2016 included ticket sales and contributions, and is reported net of expenses in the statement of activities. Special event revenue and expenses for the year ended June 30, 2016 were comprised of the following:

Ticket sales	\$ 15,750
Contributions	40,716
Special event revenues	<u>56,466</u>
Less - special event expenses	<u>(30,181)</u>
	<u>\$ 26,285</u>

### 11. Related Party Transactions

Included in performer/artist fees for the years ended June 30, 2017 and 2016 was \$685,000 and \$135,000, respectively, which was paid to a company owned by two of the Project's directors for performance fees earned by one of the Project's Directors. In addition, an employee and former consultant of this company are members of the Project's Board of Directors.

During the year ended June 30, 2017, the Project entered into an agreement with the same company which provides for a Project employee to perform certain services to the company one day each week, in exchange for which the company will pay the Project \$18,973 a year. The agreement commenced on June 1, 2017 and is effective through June 30, 2018. At June 30, 2017, \$1,581 was included in other receivables on the statement of financial position and \$1,581 was included in other income on the statement of activities and changes in net assets for the year ended June 30, 2017 for amounts earned in conjunction with this agreement.

# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 12. Collaborative Agreement

The Project has a collaborative agreement with Harvard University (“Harvard”) which expires on June 30, 2020. Under the terms of the agreement, the Project reimburses Harvard for salaries plus an agreed upon percentage for payroll taxes and benefits. In addition, the Project provides certain educational programs and performances for Harvard, as stipulated in the collaborative agreement. During the years ended June 30, 2017 and 2016, the Project reimbursed Harvard \$1,138,047 and \$1,216,107, respectively. For purposes of the presentation in the statement of functional expenses, the reimbursements to Harvard have been classified into their natural categories.

### 13. Employee Benefit Plans

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

The Project’s 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 \$69,941 and \$84,027 for the years ended June 30, 2017 and 2016, respectively.

### 14. Concentrations

Approximately 18% of revenue for the year ended June 30, 2017 was received from one non-director donor and approximately 35% of revenue for the year ended June 30, 2016 was received from three donors who are members of the Board of Directors. Approximately 93% of grants and contributions receivable at June 30, 2017 was due from four donors, two of whom are members of the Board of Directors and approximately 91% of grants and contributions receivable at June 30, 2016 was due from four donors, three of whom are members of the Board of Directors.

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

### 15. Lease

The Project leases office space from Harvard University as a tenant-at-will. Rent expense amounted to \$13,500 for each of the years ended June 30, 2017 and 2016.

# THE SILK ROAD PROJECT, INC.

## Notes to Financial Statements

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### 16. Contingencies

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 the film. The grant agreement includes a contingency provision which requires 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 will 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 will pay back NEH is based on a percentage of NEH’s proportional funding for the film. At June 30, 2017, the Project has recorded a liability of \$131,489 payable under this formula for the first reporting period, which is included in accounts payable on the statement of financial position.

In addition, the production company is eligible to receive 33.33% of the domestic net proceeds after all other obligations associated with the film are met, including all advances, marketing and distribution expenses.