

THE SILK ROAD PROJECT, INC.

Financial Statements

June 30, 2023 and 2022

THE SILK ROAD PROJECT, INC.

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial statements as of June 30, 2022, and for the year ended have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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
March 1, 2024

THE SILK ROAD PROJECT, INC.

Statements of Financial Position June 30,

2023

(As Restated)
2022

Assets:

Cash	\$ 2,057,634	\$ 1,299,244
Grants and contributions receivable, net	840,644	3,485,701
Accounts receivable	1,705	65,146
Other receivables	-	18,264
Prepaid expenses	62,420	21,932
Inventory	9,318	8,867
Furniture and equipment, net	11,305	13,812

Total assets

\$ 2,983,026	\$ 4,912,966
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Liabilities and net assets

Liabilities:

Accounts payable	\$ 217,874	\$ 414,121
Accrued expenses	87,752	81,226
Deferred revenue	52,690	2,706

Total liabilities

358,316	498,053
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Net assets:

Without donor restrictions:

Undesignated	418	50,352
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Board designated:

Cash reserve	929,391	755,585
Other	-	27,533

Total board designated	929,391	783,118
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Total without donor restrictions	929,809	833,470
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With donor restrictions	1,694,901	3,581,443
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Total net assets

2,624,710	4,414,913
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Total liabilities and net assets

\$ 2,983,026	\$ 4,912,966
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THE SILK ROAD PROJECT, INC.

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

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total		
Revenue and support:					
Grants and contributions - cash and other financial assets	\$ 1,272,639	\$ -	\$ 1,272,639	\$ 247,084	\$ 1,519,723
Performance fees	502,730	-	502,730	-	502,730
Contributions of nonfinancial assets	51,179	-	51,179	-	51,179
Program income	35,825	-	35,825	-	35,825
Other income	14,669	-	14,669	-	14,669
Merchandise sales	4,498	-	4,498	-	4,498
Interest income	111	1,756	1,867	-	1,867
Net assets released from restrictions	2,133,626	-	2,133,626	(2,133,626)	-
Total revenue and support	4,015,277	1,756	4,017,033	(1,886,542)	2,130,491
Expenses:					
Program services	2,828,453	27,533	2,855,986	-	2,855,986
General and administrative	465,813	-	465,813	-	465,813
Fundraising	598,895	-	598,895	-	598,895
Total expenses	3,893,161	27,533	3,920,694	-	3,920,694
Change in net assets	122,116	(25,777)	96,339	(1,886,542)	(1,790,203)
Transfers to cash reserve	(172,050)	172,050	-	-	-
Net assets, beginning of year	50,352	783,118	833,470	3,581,443	4,414,913
Net assets, end of year	\$ 418	\$ 929,391	\$ 929,809	\$ 1,694,901	\$ 2,624,710

THE SILK ROAD PROJECT, INC.

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

	(As Restated)				
	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
Performance fees	349,737	-	349,737	-	349,737
Contributions of nonfinancial assets	42,667	-	42,667	-	42,667
Program income	30,050	-	30,050	-	30,050
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	3,697,053	-	3,697,053	99,491	3,796,544
Expenses and losses:					
Expenses:					
Program services	2,495,771	12,000	2,507,771	-	2,507,771
General and administrative	577,819	-	577,819	-	577,819
Fundraising	462,944	-	462,944	-	462,944
Total expenses	3,536,534	12,000	3,548,534	-	3,548,534
Loss on disposal of furniture, equipment and improvements	6,345	-	6,345	-	6,345
Total expenses and losses	3,542,879	12,000	3,554,879	-	3,554,879
Change in net assets	154,174	(12,000)	142,174	99,491	241,665
Transfers to cash reserve	(755,585)	755,585	-	-	-
Net assets, beginning of year	651,763	39,533	691,296	3,481,952	4,173,248
Net assets, end of year	\$ 50,352	\$ 783,118	\$ 833,470	\$ 3,581,443	\$ 4,414,913

Statements of Cash Flows
For the Years Ended June 30,

2023

(As Restated)
2022

Cash flows from operating activities:

Change in net assets	\$ (1,790,203)	\$ 241,665
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,204	11,811
Adjustment to net present value of grants and contributions receivable	(3,666)	(29,334)
Loss on disposal of furniture, equipment and improvements	-	6,345
Changes in operating assets and liabilities:		
Grants and contributions receivable	2,648,723	(1,164,367)
Accounts receivable	63,441	(42,746)
Other receivables	18,264	(18,161)
Prepaid expenses	(40,488)	(19,656)
Inventory	(451)	(8,867)
Accounts payable	(196,247)	170,835
Accrued expenses	6,526	79,611
Deferred revenue	49,984	(7,294)
Net cash provided by (used in) operating activities	<u>765,087</u>	<u>(780,158)</u>

Cash flows from investing activities:

Purchases of furniture and equipment	<u>(6,697)</u>	<u>-</u>
Net cash used in investing activities	<u>(6,697)</u>	<u>-</u>

Net increase (decrease) in cash	758,390	(780,158)
Cash, beginning of year	<u>1,299,244</u>	<u>2,079,402</u>
Cash, end of year	<u>\$ 2,057,634</u>	<u>\$ 1,299,244</u>

THE SILK ROAD PROJECT, INC.

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

	2023				(As Restated) 2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Compensation and related expenses								
Salaries	\$ 838,985	\$ 144,420	\$ 341,736	\$ 1,325,141	\$ 808,916	\$ 313,311	\$ 338,764	\$ 1,460,991
Payroll taxes and employee benefits	159,898	38,143	81,508	279,549	154,547	95,753	77,970	328,270
Total compensation and related expenses	998,883	182,563	423,244	1,604,690	963,463	409,064	416,734	1,789,261
Performer/Artist fees	669,623	9,713	-	679,336	698,934	-	-	698,934
Travel	391,771	18,805	20,392	430,968	269,073	6,715	14,802	290,590
Contract services	141,908	-	97,500	239,408	202,407	2,598	2,000	207,005
Tour management fees	214,550	-	-	214,550	34,125	-	-	34,125
Professional fees	50,950	158,038	2,366	211,354	6,075	64,415	-	70,490
Meals and entertainment	84,309	6,441	12,062	102,812	142,627	4,287	2,319	149,233
Marketing and public relations	95,677	-	400	96,077	46,250	-	-	46,250
Advertising	52,423	5,162	-	57,585	883	1,028	-	1,911
Artist refugee assistance	49,432	-	-	49,432	28,315	-	-	28,315
Equipment rental	37,294	-	7,045	44,339	23,313	-	-	23,313
Subscriptions	11,324	29,951	2,857	44,132	7,074	24,250	5,570	36,894
Public relations and hospitality	8,225	-	20,070	28,295	14,817	-	16	14,833
Venue and storage rental	13,063	8,011	837	21,911	16,180	1,390	1,500	19,070
Supplies	14,134	3,320	2,023	19,477	22,044	3,062	2,230	27,336
Insurance	-	11,478	-	11,478	-	19,537	-	19,537
Printing and copying	4,180	440	6,281	10,901	1,362	11	5,962	7,335
Miscellaneous	2,942	7,222	-	10,164	1,924	1,568	-	3,492
Depreciation and amortization	-	9,204	-	9,204	-	11,811	-	11,811
Gifts and appreciation	4,226	2,974	1,667	8,867	3,299	2,766	1,216	7,281
Filing fees	5,300	409	644	6,353	-	15	-	15
Telephone and internet	71	6,207	14	6,292	742	4,393	150	5,285
Bank and other fees	32	5,175	20	5,227	44	10,527	-	10,571
Cost of merchandise sales	4,899	-	-	4,899	-	-	-	-
Postage and delivery	770	700	1,473	2,943	1,965	496	519	2,980
Occupancy	-	-	-	-	22,855	9,886	9,926	42,667
	<u>\$ 2,855,986</u>	<u>\$ 465,813</u>	<u>\$ 598,895</u>	<u>\$ 3,920,694</u>	<u>\$ 2,507,771</u>	<u>\$ 577,819</u>	<u>\$ 462,944</u>	<u>\$ 3,548,534</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 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, and performance fees.

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 Project, 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, 2023 and 2022, or during the years then ended.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 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.

Merchandise sales consists of revenue from the sale of CD recordings, posters, T-shirts, water bottles, and similar items. The performance obligation is to provide the items when purchased. The transaction price is the amount of consideration to which the Project expects to be entitled in exchange for the items, which is the advertised sales price. Revenue is recognized at the time of sale.

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 Project occasionally receives various types of in-kind support in the form of contributed services, rent and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated rent and other assets are recorded 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.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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, water bottles, and similar items, 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 became fully amortized during fiscal year 2017, 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.

Advertising

The Project expenses advertising costs as incurred.

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. Significant accounting estimates include the collectability of receivables and functional allocation of certain expenses.

The Project's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on March 1, 2024, the date these financial statements were 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.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 2022 have been reclassified in the financial statements in order to conform to 2023 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, 2023 or 2022.

4. Grants and Contributions Receivable

Grants and contributions receivable, net consisted of the following at June 30, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 785,144	\$ 3,367,167
Receivable in one to five years	55,500	122,200
	840,644	3,489,367
Less - discount to net present value	-	(3,666)
	<u>\$ 840,644</u>	<u>\$ 3,485,701</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 year ended June 30, 2022. No present value discount on grants and pledges receivable in greater than one year has been recorded at June 30, 2023 as management has determined that the amount is not material to the financial statements.

At June 30, 2023 and 2022, the Project had conditional grants of \$1,242,333 and \$1,302,333, respectively, which will not be recognized as assets in the statement of financial position or as revenue in the statement of activities and changes in net assets until such time as the performance and/or control barriers of the grants are met.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

5. Furniture and Equipment

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

	2023	2022
Furniture and equipment	\$ 38,263	\$ 31,566
Less - accumulated depreciation	(26,958)	(17,754)
	<u>\$ 11,305</u>	<u>\$ 13,812</u>

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$9,204 and \$9,797, 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.

6. Website Development Costs

Website development costs were fully amortized with no residual value during the year ended June 30, 2022. Amortization expense for the year ended June 30, 2022 amounted to \$2,014.

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, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022:

	2023	2022	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Advertising	\$ 51,179	\$ -	Program services	None	Estimated fair value of similar advertising
Rent	-	42,667	Allocated among program services and supporting functions	None	Estimated fair value of similar office space
	<u>\$ 51,179</u>	<u>\$ 42,667</u>			

The Project received contributed advertising during the year ended June 30, 2023. During the year ended June 30, 2022, the Project occupied office space in a building owned by Harvard University at no charge until the Project terminated its occupancy in February 2022.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

9. Net Assets

Board designated net assets consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash reserve funds	\$ 929,391	\$ 755,585
Artists-at-Risk Refugee Fellowship program	-	27,533
	<u>\$ 929,391</u>	<u>\$ 783,118</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
American Railroad program and organizational capacity-building	\$ 1,599,901	\$ 2,853,469
Cash reserve fund	50,000	22,050
Silkroad Connect program	40,000	123,534
Cross-cultural work in Houston, TX	5,000	5,000
Strategic planning and organizational capacity-building	-	320,000
Time restrictions	-	200,000
Indigenous community partnership program	-	31,000
Artists-at-Risk Refugee Fellowship program	-	26,357
Global Musician Workshop	-	33
	<u>\$ 1,694,901</u>	<u>\$ 3,581,443</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, 2023 and 2022 were comprised of the following:

	<u>2023</u>	<u>2022</u>
American Railroad program and organizational capacity-building	\$ 1,304,514	\$ 805,820
Strategic planning and organizational capacity-building	320,000	-
Expiration of time restrictions	200,000	200,000
Silkroad Connect program	170,200	103,350
Artists-at-Risk Refugee Fellowship program	53,174	17,995
Indigenous community partnership program	31,000	1,000
Commission of new musical works	27,874	20,000
Cash reserve fund	22,050	3,500
Global Musician Workshop	2,533	10,000
Phoenix Rising program	1,281	42,500
Artistic and education program impact scaling	1,000	201,904
Artistic director	-	74,000
COVID-19 emergency fund	-	13,098
Home Within program	-	9,980
Organization strategic planning retreat for board, artists and staff	-	5,089
Public relations and marketing	-	1,950
	<u>\$ 2,133,626</u>	<u>\$ 1,510,186</u>

10. Collaborative Agreement

The Project had a collaborative agreement with Harvard University (“Harvard”) which expired on June 30, 2023. Under the terms of the agreement, the Project reimbursed Harvard for salaries plus an agreed upon percentage for payroll taxes and benefits for certain employees. In addition, the Project provided certain educational programs and performances for Harvard, as stipulated in the collaborative agreement. During the years ended June 30, 2023 and 2022, the Project reimbursed Harvard \$783,665 and \$982,741, respectively. For purposes of the presentation in the statements of functional expenses, the reimbursements to Harvard have been classified into their natural categories.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

11. Employee Benefit Plans

Certain Project employees were eligible to participate in the Harvard University Tax Deferred Annuity Plan through June 30, 2023. These employees were eligible to participate immediately upon hire and could make voluntary contributions to the plan up to the Internal Revenue Code (“IRC”) limit. The Project did not make contributions to this plan.

Certain employees were 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 were vested three years after the date of employment. The Project made contributions to the plan of \$50,910 and \$61,921 for the years ended June 30, 2023 and 2022, 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 \$19,122 and \$11,127 for the years ended June 30, 2023 and 2022, respectively.

12. Concentrations

Approximately 13% and 44% of revenue and support for the years ended June 30, 2023 and 2022 was received from one and three donors, respectively. Approximately 74% and 68% of grants and contributions receivable at June 30, 2023 and 2022 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

13. 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, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,057,634	\$ 1,299,244
Grants and contributions receivable, net	840,644	3,485,701
Accounts receivable	1,705	65,146
Other receivables	<u>-</u>	<u>18,264</u>
Total financial assets	2,899,983	4,868,355
Less amount not available for general expenditure within one year:		
Net assets with donor restrictions	<u>(1,694,901)</u>	<u>(3,381,443)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,205,082</u>	<u>\$ 1,486,912</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 7. At June 30, 2023 and 2022, \$250,000 remained available on the line of credit.

14. Prior Period Adjustment

During the year ended June 30, 2023, management discovered that amounts previously paid into the Harvard vacation fund should have been expensed rather than recorded as prepaid expenses. Management's understanding had been that these funds were to be applied to future employee vacation payments, however, upon discussions with Harvard personnel after termination of the collaboration agreement, it was determined that these funds should have been expensed in the year that they were billed by Harvard to the Project. As a result, the Project recorded a prior period adjustment to beginning of year net assets equal to the prepaid vacation balance as of July 1, 2021, and adjusted the June 30, 2022 financial statements for the affected balances.

THE SILK ROAD PROJECT, INC.

Notes to Financial Statements

14. Prior Period Adjustment (continued)

The effect of the amounts previously reported on the June 30, 2022 financial statements is as follows:

	As of and For the Year Ended June 30, 2022		
	As Previously Reported	Adjustment	As Restated
<u>Statement of Financial Position</u>			
Prepaid expenses	\$ 106,680	\$ (84,748)	\$ 21,932
Net assets without donor restrictions - undesignated	\$ 135,100	\$ (84,748)	\$ 50,352
<u>Statement of Activities and Changes in Net Assets</u>			
Program services expenses	\$ 2,496,077	\$ 11,694	\$ 2,507,771
General and administrative expenses	\$ 573,290	\$ 4,529	\$ 577,819
Fundraising expenses	\$ 458,047	\$ 4,897	\$ 462,944
Net assets without donor restrictions - undesignated, beginning of year	\$ 715,391	\$ (63,628)	\$ 651,763
Net assets without donor restrictions - undesignated, end of year	\$ 135,100	\$ (84,748)	\$ 50,352
<u>Statement of Cash Flows</u>			
Change in net assets	\$ 262,785	\$ (21,120)	\$ 241,665
Change in prepaid expenses	\$ (40,776)	\$ 21,120	\$ (19,656)
<u>Statement of Functional Expenses</u>			
Salaries - program services	\$ 797,222	\$ 11,694	\$ 808,916
Salaries - general and administrative	\$ 308,782	\$ 4,529	\$ 313,311
Salaries - fundraising	\$ 333,867	\$ 4,897	\$ 338,764