THE SILK ROAD PROJECT, INC.

Financial Statements

June 30, 2020 and 2019

THE SILK ROAD PROJECT, INC.

June 30, 2020 and 2019

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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, 2020 and 2019, 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 accounting 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, 2020 and 2019, 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 | 160 Federal Street | 9th Floor | Boston, MA 02110 | edelsteincpa.com | A Member of AGN International, Ltd.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Edelstein & Company LLP

Boston, Massachusetts
February 1, 2021

THE SILK ROAD PROJECT, INC.

Statements of Financial Position

June 30,	2020	2019 (As Restated)
Assets:		
Cash	$ 748,329	$ 1,197,015
Grants and contributions receivable, net	384,640	862,927
Other receivables	64,810	137,122
Prepaid expenses	58,810	45,148
Inventory	2,421	3,010
Furniture, equipment and improvements, net	6,561	3,442
Website development costs, net	8,059	14,103
Total assets	$ 1,273,630	$ 2,262,767
Liabilities and net assets		
Liabilities:		
Accounts payable	$ 349,426	$ 423,307
Deferred revenue	-	100,000
Total liabilities	349,426	523,307
Net assets:		
Without donor restrictions:		
Undesignated	213,933	639,547
Board designated	39,533	125,461
Total without donor restrictions	253,466	765,008
With donor restrictions	670,738	974,452
Total net assets	924,204	1,739,460
Total liabilities and net assets	$ 1,273,630	$ 2,262,767

THE SILK ROAD PROJECT, INC.

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

	2020			2019 (As Restated)		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue and other support:						
Performance fees	$ 246,800	$ -	$ 246,800	$ 1,062,720	$ -	$ 1,062,720
Program income	174,081	-	174,081	531,287	-	531,287
Grants and contributions	1,028,208	360,096	1,388,304	711,037	917,718	1,628,755
Special event, net	-	-	-	56,651	-	56,651
Merchandise sales	-	-	-	2,113	-	2,113
Other income	26,274	-	26,274	18,022	-	18,022
Interest income	264	-	264	454	-	454
Net assets released from restrictions	663,810	(663,810)	-	1,488,710	(1,488,710)	-
Total revenue and other support	2,139,437	(303,714)	1,835,723	3,870,994	(570,992)	3,300,002
Expenses and losses:						
Expenses:						
Program services	1,695,079	-	1,695,079	2,729,841	-	2,729,841
General and administrative	595,900	-	595,900	656,678	-	656,678
Fundraising	323,500	-	323,500	397,030	-	397,030
Total expenses	2,614,479	-	2,614,479	3,783,549	-	3,783,549
Loss on investment in LLC	36,500	-	36,500	-	-	-
Total expenses and losses	2,650,979	-	2,650,979	3,783,549	-	3,783,549
Change in net assets	(511,542)	(303,714)	(815,256)	87,445	(570,992)	(483,547)
Net assets, beginning of year	765,008	974,452	1,739,460	677,563	1,545,444	2,223,007
Net assets, end of year	$ 253,466	$ 670,738	$ 924,204	$ 765,008	$ 974,452	$ 1,739,460

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,	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (815,256)	$ (483,547)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	10,153	6,916
Bad debt expense	44,026	-
Loss on investment in LLC	36,500	-
Changes in operating assets and liabilities:		
Grants and contributions receivable, net	453,287	402,133
Other receivables	53,286	92,949
Prepaid expenses	(13,662)	111,416
Inventory	589	1,329
Accounts payable	(73,881)	(102,497)
Deferred revenue	(100,000)	(100,000)
Net cash used in operating activities	(404,958)	(71,301)
Cash flows from investing activities:		
Purchases of furniture and equipment	(7,228)	-
Purchases of website development costs	-	(18,133)
Investment in LLC	(36,500)	-
Net cash used in investing activities	(43,728)	(18,133)
Net decrease in cash	(448,686)	(89,434)
Cash, beginning of year	1,197,015	1,286,449
Cash, end of year	$ 748,329	$ 1,197,015

THE SILK ROAD PROJECT, INC.

Statements of Functional Expenses
For the Years Ended June 30,

	2020				2019				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Cost of Direct Benefits to Donors	Total
Compensation and related expenses:									
Salaries	$ 310,720	$ 183,458	$ 155,198	$ 649,376	$ 381,755	$ 270,158	$ 179,118	$ -	$ 831,031
Payroll taxes and employee benefits	94,770	55,979	47,336	198,085	103,973	67,480	48,636	-	220,089
Total compensation and related expenses	405,490	239,437	202,534	847,461	485,728	337,638	227,754	-	1,051,120
Contract services	380,698	100,450	92,133	573,281	616,421	74,798	111,256	-	802,475
Performer/Artist fees	558,314	-	-	558,314	758,520	-	-	-	758,520
Travel	134,629	52,983	4,553	192,165	302,591	67,556	24,497	-	394,644
Occupancy	30,735	18,149	15,352	64,236	28,277	19,655	13,258	-	61,190
Professional fees	-	63,230	-	63,230	-	65,040	-	-	65,040
Meals and entertainment	48,382	-	235	48,617	138,898	-	4,408	-	143,306
Media and contract services	42,597	-	-	42,597	52,187	-	-	-	52,187
Miscellaneous	355	35,174	-	35,529	2,600	21,680	-	-	24,280
Commissions on performances	31,050	-	-	31,050	148,900	-	-	-	148,900
Bad debt expense	-	44,026	-	44,026	-	-	-	-	-
Publications/multimedia	21,220	-	-	21,220	159,406	-	-	-	159,406
Insurance	-	19,348	-	19,348	-	19,387	-	-	19,387
Printing and copying	14,023	-	5,066	19,089	-	-	-	-	-
Equipment and venue rental	10,116	-	223	10,339	16,152	-	-	-	16,152
Depreciation and amortization	-	10,153	-	10,153	-	6,916	-	-	6,916
Supplies	2,512	6,942	495	9,949	4,947	15,583	3,408	-	23,938
Advertising	8,288	793	224	9,305	10,483	2,410	1,158	-	14,051
Public relations and hospitality	2,426	-	2,446	4,872	986	1,353	11,291	-	13,630
Artist royalties	3,674	-	-	3,674	-	-	-	-	-
Website	-	2,147	-	2,147	-	11,606	-	-	11,606
Postage and delivery	570	1,153	239	1,962	3,441	2,939	-	-	6,380
Telephone	-	1,915	-	1,915	-	10,117	-	-	10,117
Inventory purchases	-	-	-	-	304	-	-	-	304
Cost of direct benefits to donors	-	-	-	-	-	-	-	12,909	12,909
	1,695,079	595,900	323,500	2,614,479	2,729,841	656,678	397,030	12,909	3,796,458
Less items included within revenue and other support:									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(12,909)	(12,909)
Total expenses included in the functional categories on the statement of activities and changes in net assets	$ 1,695,079	$ 595,900	$ 323,500	$ 2,614,479	$ 2,729,841	$ 656,678	$ 397,030	$ -	$ 3,783,549

The accompanying notes are an integral part of these 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 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 performance fees, 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 and other 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 expendable resources that are available for support of the Project's general operations. These net assets may be used at the discretion of the Project's management and the Board of Directors.

> *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 are utilized in accordance with the donors' stipulations.

The Project had no net assets with donor restrictions which were perpetual in nature at June 30, 2020 and 2019, or during the years then ended.

Recently Adopted Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This ASU clarifies the guidance for evaluating whether a contract or agreement is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. ASU 2018-08 has different effective dates for resource recipients and resource providers. The Project is not a resource provider as it does not make contributions. As a resource recipient the Project has applied ASU 2018-08 for the year ended June 30, 2020 on a modified prospective basis. The adoption of this ASU did not have a material impact on changes in net assets, financial position or cash flows.

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncement Issued and Not Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which amends the existing accounting standards for revenue recognition. This new revenue standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Project has elected to defer the implementation of this ASU until the year ending June 30, 2021, as allowed, and is currently in the process of evaluating the impact of adoption on its 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 revenue when the performance and/or control barriers are met by the Project.

Special event revenue consists of revenue earned from fundraising events and is reported net of the cost of direct benefits to donors.

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. Any amounts received in advance of the program date are reported as deferred revenue.

Revenue from merchandise sales represents proceeds from sales of The Silk Road Ensemble recordings and T-shirts and is recognized at the time of sale.

The Project receives in-kind support in the form of contributed office space and parking, 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 and T-shirts and is stated at lower of cost or net realizable value. Cost is determined by the first-in, first out method.

2. Summary of Significant Accounting Policies (continued)

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. 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 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.

Functional Allocation of Expenses

The Project allocates 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 generally accepted accounting principles 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 February 1, 2021, the date these financial statements became available to be issued. Except for the event disclosed in Note 8, 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 2019 have been reclassified on these financial statements in order to conform to 2020 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

3. Grants and Contributions Receivable

Grants and contributions receivable, net consisted of the following at June 30, 2020 and 2019:

	2020	2019
Receivable in less than one year	$ 384,640	$ 610,500
Receivable in one to five years	-	260,000
	384,640	870,500
Less - discount to net present value	-	(7,573)
	$ 384,640	$ 862,927

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, 2019.

4. Furniture, Equipment and Improvements

Furniture, equipment and improvements consisted of the following at June 30, 2020 and 2019:

	2020	2019
Furniture and equipment	$ 37,075	$ 31,412
Leasehold improvements	103,915	103,915
	140,990	135,327
Less - accumulated depreciation	(134,429)	(131,885)
	$ 6,561	$ 3,442

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to $4,109 and $2,886, respectively. During the year ended June 30, 2020, the Project disposed of certain fully depreciated furniture and equipment with an original cost of $1,565.

5. Website Development Costs

Website development costs consisted of the following at June 30, 2020 and 2019:

	2020	2019
Website development costs	$ 18,133	$ 18,133
Less - accumulated amortization	(10,074)	(4,030)
	$ 8,059	$ 14,103

Amortization expense for the years ended June 30, 2020 and 2019 amounted to $6,044 and $4,030, respectively.

5. Website Development Costs (continued)

Amortization of the website development costs for each of the following years is as follows:

Years ending June 30,		
2021	$	6,044
2022		2,015

6. 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, 2020 and 2019, 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 at June 30, 2020.

7. Net Assets

Board designated net assets at June 30, 2020 and 2019 consisted of $39,533 and $125,461 designated for immigrant/migrant related work and future initiatives, respectively.

Net assets with donor restrictions were available for the following purposes or periods at June 30, 2020 and 2019:

	2020	2019 (As Restated)
Scale the impact of musical and learning programs	$ 321,500	$ 644,243
Time restrictions	176,668	220,209
Artistic director	63,000	-
Diversity, equity and inclusion programs	42,500	50,000
Emergency artist relief	20,070	-
Commission for new works	20,000	20,000
Composer fees	15,000	-
Indigenous communities projects	7,000	-
Cross-cultural work in Houston, TX	5,000	-
Seeds project	-	40,000
	$ 670,738	$ 974,452

7. Net Assets (continued)

Net assets released from restrictions for the years ended June 30, 2020 and 2019 were comprised of the following:

	2020	2019 (As Restated)
Scale the impact of musical and learning programs	$ 330,025	$ 98,475
Expiration of time restrictions	211,000	679,851
Emergency artist relief	48,433	-
Seeds project	40,000	-
Falling Out of Time recording	20,852	-
Diversity, equity and inclusion programs	7,500	-
Emergence commission	6,000	-
Social impact programs	-	83,826
Increase capacity for fundraising	-	491,558
Heroes program	-	135,000
	$ 663,810	$ 1,488,710

8. Paycheck Protection Program Loan

On April 21,2020, the Project entered into a Paycheck Protection Program ("PPP") loan agreement for $137,792 granted by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The funds from the loan were received on April 22, 2020. 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 period from April 22,2020 through June 30, 2020, the Project incurred qualifying expenses in excess of the loan amount, and therefore, recognized the entire loan amount of $137,792 as grant revenue. On November 2, 2020, the Project received full forgiveness of the PPP loan from the SBA.

9. Investment in LLC

In November 2019, The Silk Road Ensemble recorded "Falling Out of Time" ("FOoT"), a work which was commissioned by the Project. In April 2020, the master of FOoT was sold by the Project to In a Circle Records ("ICR"), who is responsible for producing, releasing and distributing the recording. Additionally, an LLC was formed specifically for the purpose of purchasing a ten-year license of the recording from ICR. In accordance with the licensing agreement, ICR will collect all income from the sales of FOoT, and will distribute the balance of income after certain expenses and a 10% management fee ("net income") to the LLC until the investors have recouped their investment and a 15% risk premium. Subsequently, the net income will be split 50/50 between ICR and the LLC.

9. Investment in LLC (continued)

In April 2020, the Project invested $36,500 in the LLC which is the equivalent of a 36.5% interest. This investment entitles the Project to receive distributions from the LLC equal to its interest in the net income from sales of the recording. As a result of the COVID-19 pandemic, all in-person performances by The Silk Road Ensemble at which the FOoT recording were to be sold were canceled. As a result, management of the Project does not expect future sales of the recording to result in a return of its investment in the LLC. As such, management has determined that the investment has no future value and has recognized a loss equal to its investment of $36,500.

10. Related Party Transactions

Included in accounts payable at June 30, 2020 and 2019 is $75,000 payable to a company owned by two of the Project's founding Board members for fees earned by one of the Project's founding Board members. In addition, an employee of this company is a member of the Project's Board of Directors.

11. Collaborative Agreement

The Project has a collaborative agreement with Harvard University ("Harvard") which expires on December 31, 2021**.** 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, 2020 and 2019, the Project reimbursed Harvard $871,841 and $1,020,519, 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

The Project's employees are eligible to participate in the Harvard University Tax Deferred Annuity 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 $48,058 and $58,966 for the years ended June 30, 2020 and 2019, respectively.

13. Concentrations

Approximately 22% and 23% of revenue for the years ended June 30, 2020 and 2019, respectively, was received from one donor. Approximately 91% of grants and contributions receivable at June 30, 2020 was due from two donors, one of whom is a member of the Board of Directors; and approximately 92% of grants and contributions receivable at June 30, 2019 was due from three donors.

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. The maximum deposit insurance amount is $250,000, which is applied per depositor, per insured depository institution for each account ownership category.

14. In-Kind Contributions

The Project occupies office space in a building owned by Harvard University at no charge. As a result, the Project recorded the fair value of in-kind rent and parking amounting to $78,436 and $70,022 for the years ended June 30, 2020 and 2019, respectively, which is included in grants and contributions on the statements of activities and changes in net assets, and in occupancy and travel expenses on the statements of functional expenses.

15. 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, 2020 and 2019 are comprised of the following:

	2020	2019 (As Restated)
Cash	$ 748,329	$ 1,197,015
Grants and contributions receivable, net	384,640	862,927
Other receivables	64,810	137,122
Total financial assets	1,197,779	2,197,064
Less amount not available for general expenditure within one year:		
Net assets with donor restrictions	(494,071)	(653,952)
Financial assets available to meet general expenditures within one year	$ 703,708	$ 1,543,112

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 a savings account. Additionally, the Project maintains a $250,000 line of credit, as discussed in Note 6. At June 30, 2020 and 2019, $250,000 remained available on the line of credit.

16. Contingencies

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 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, 2020 and 2019, the Project has a liability of $157,848 payable under this formula, which is included in accounts payable on the statements of financial position.

17. Prior Period Adjustment

During the year ended June 30, 2020, the Project discovered that $50,000 released from net assets with donor restrictions during the year ended June 30, 2019 was released in error. Accordingly, a prior period adjustment has been made to decrease the net assets without donor restrictions, and to increase the net assets with donor restrictions at June 30, 2019 by $50,000.

Corresponding entries were made to adjust the previously reported net assets at June 30, 2019 as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - June 30, 2019, as previously reported	$ 815,008	$ 924,452	$ 1,739,460
Adjustment for releases from restrictions	(50,000)	50,000	-
Net assets - June 30, 2019, as restated	$ 765,008	$ 974,452	$ 1,739,460

18. Uncertainty Regarding the Impact of COVID-19

The Project is subject to risks and uncertainties as a result of the current COVID-19 pandemic. The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting the U.S. economy and other economies worldwide. The full extent to which the COVID-19 pandemic may impact the Project depends on future developments that are highly uncertain and may not be accurately predicted, including the duration and severity of the pandemic. The Project is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.