

**MERIDIAN HILL PICTURES, LLC**

**STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES  
AND INDEPENDENT AUDITOR'S REPORT  
FOR CITY OF TREES**

**PROJECT CODE:** [REDACTED]

**TAX ID:** [REDACTED]

**FOR THE PERIOD OCTOBER 1, 2010  
TO DECEMBER 31, 2015**

**MERIDIAN HILL PICTURES, LLC  
CITY OF TREES  
PROJECT CODE: [REDACTED]  
TAX ID: [REDACTED]**

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FOR THE PERIOD OCTOBER 1, 2010  
TO DECEMBER 31, 2015**

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## Independent Auditor's Report

To the Members  
Meridian Hill Pictures, LLC  
Washington, DC

### **Report on Statement of Qualified Production Expenditures**

We have audited the accompanying Statement of Qualified Production Expenditures ("SQPE") of Meridian Hill Pictures, LLC ("MHP") for the period October 1, 2010 to December 31, 2015, incurred by the production entitled City of Trees (the "Project"), and the related notes.

### **Management's Responsibility for the SQPE**

Management is responsible for the preparation and fair presentation of this SQPE in accordance with accounting practices prescribed by the Office of Cable Television, Film, Music and Entertainment ("OCTFME") as it relates to the film rebate program authorized by the Film DC Economic Incentive Act of 2006, effective March 14, 2007 (D.C. Code §39-501) (the "Act"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation and fair presentation of the SQPE that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on this SQPE based on our audit. We conducted our audit 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 SQPE is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the SQPE. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the SQPE, 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 SQPE 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 SQPE.

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 SQPE referred to in the first paragraph presents fairly, in all material respects, the qualified production expenditures of City of Trees for the period October 1, 2010 to December 31, 2015 in accordance with accounting practices prescribed by the OCTFME as it relates to the film rebate program authorized by the Act.

## **Report on Supplementary Information**

Our audit was conducted for the purpose forming an opinion on the SQPE as a whole. The Qualified Expenditure Summary, Qualified Production Economic Impact Summary, and the Qualified Production Expenditure Report are presented for purposes of additional analysis and are a required part of the SQPE in accordance with the guidelines prescribed by the OCTFME. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the SQPE. The information has been subjected to the auditing procedures applied in the audit of the SQPE and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the SQPE or to the SQPE itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the SQPE as a whole.

## **Additional Information**

Our audit was conducted for the purpose forming an opinion on the SQPE as a whole. The Qualified Production Expenditure Report Documentation Schedule, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the SQPE. Such information has not been subjected to the auditing procedures applied in the audit of the SQPE, and, accordingly, we do not express an opinion or provide any assurance on it.

**Basis of Accounting and Restriction on Distribution and Use**

Without modifying our opinion, we draw attention to Note B to the SQPE, which describes the basis of accounting. The SQPE was prepared to accompany a rebate request made by MHP as required by the OCTFME as it relates to the film rebate program authorized by the Film DC Economic Incentive Act of 2006. As a result, the SQPE may not be suitable for any other purpose. Our report is intended solely for the information and use of Meridian Hill Pictures, LLC and the OCTFME and should not be used by anyone other than those specified parties.

*James Marston & McQuade PA*

Washington, DC  
September 19, 2016

**MERIDIAN HILL PICTURES, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED]**  
**TAX ID: [REDACTED]**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**

**STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**

	Qualified Taxable in District	Qualified Not Taxable in District	Qualified Personnel	Qualified Job Training	Qualified Infrastructure	(Unaudited) Non-District	Total
<b>Above the Line Expenses</b>							
Producer	\$ 47,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,769
Director	46,728	-	-	-	-	-	46,728
Director of Photography	23,165	-	-	-	-	-	23,165
Consulting Producer	-	10,960	-	-	-	-	10,960
Total Above the Line Expenses	<u>117,662</u>	<u>10,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,622</u>
<b>Below the Line Expenses</b>							
Additional Cinematography	610	-	-	-	-	300	910
Associate Producer	29,879	-	-	-	-	-	29,879
Assistant Director	-	-	-	-	-	2,503	2,503
Production Assistant	1,670	-	-	-	-	-	1,670
Research	285	-	-	-	-	-	285
Interns	-	-	-	8,162	-	4,237	12,399
Total Below the Line Expenses	<u>32,444</u>	<u>-</u>	<u>-</u>	<u>8,162</u>	<u>-</u>	<u>7,040</u>	<u>47,646</u>
<b>Below the Line Expenses - Post Production</b>							
Editor	-	-	-	-	-	53,366	53,366
Assistant Editor	15,897	-	-	-	-	-	15,897
Consulting Editor	-	-	-	-	-	3,000	3,000
Graphics	-	-	-	-	-	7,245	7,245
Color Correction	-	-	-	-	-	5,810	5,810
Sound Editing	970	-	-	-	-	4,350	5,320
Trailer Editing	-	-	-	-	-	2,000	2,000
Composer	-	-	-	-	-	10,000	10,000
Transcriptions	525	-	-	-	-	-	525
Total Below the Line Expenses - Post Production	<u>\$ 17,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,771</u>	<u>\$ 103,163</u>

The accompanying notes are integral part of this statement.

**MERIDIAN HILL PICTURES, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED]**  
**TAX ID: [REDACTED]**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**

**STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**  
(continued)

	Qualified Taxable In District	Qualified Not Taxable In District	Qualified Personnel	Qualified Job Training	Qualified Infrastructure	(Unaudited) Non-District	Total
<b>Other Expenses</b>							
Video, Sound, and Computer Equipment	\$ 4,493	\$ -	\$ -	\$ -	\$ -	\$ 12,665	\$ 17,158
Office Supplies	5,296	-	-	-	-	12,618	17,914
Postage	1,289	-	-	-	-	-	1,289
Local Transportation	698	-	-	-	-	-	698
Out of Town Transportation	-	-	-	-	-	2,246	2,246
Business Licenses and Permits	814	-	-	-	-	-	814
Meals	2,888	-	-	-	-	792	3,680
Publicity/Website	3,610	-	-	-	-	1,650	5,260
Business Insurance	-	-	-	-	-	7,479	7,479
Health Insurance	15,519	-	-	-	-	-	15,519
Production Office Space	35,815	-	-	-	-	-	35,815
Accounting	-	-	-	-	-	6,989	6,989
Payroll Expenses	-	-	-	-	-	2,089	2,089
Telephone, Internet	5,289	-	-	-	-	-	5,289
Audit	5,000	-	-	-	-	-	5,000
Total Other Expenses	<u>80,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,528</u>	<u>127,239</u>
Total Expenses	<u>\$ 248,209</u>	<u>\$ 10,960</u>	<u>\$ -</u>	<u>\$ 8,162</u>	<u>\$ -</u>	<u>\$ 139,339</u>	<u>\$ 406,670</u>
<b>Total Rebate Amount</b>							
	Qualified Taxable in District	Qualified Not Taxable in District	Qualified Personnel	Qualified Job Training	Qualified Infrastructure		
Total Qualified Production Expenditures	\$ 248,209	\$ 10,960	\$ -	\$ 8,162	\$ -		
	42%	21%	30%	50%	25%		
Washington D.C. Rebate by Category	<u>\$ 104,248</u>	<u>\$ 2,302</u>	<u>\$ -</u>	<u>\$ 4,081</u>	<u>\$ -</u>		
Total Washington D.C. Rebate	<u>\$ 110,631</u>						
Total Approved Maximum Rebate	<u>\$ 85,000</u>						

The accompanying notes are integral part of this statement.

**MERIDIAN HILL PICTURE, LLC  
CITY OF TREES**

**PROJECT: [REDACTED], TAX ID: [REDACTED]**

**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES  
FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**

**NOTE 1 – NATURE OF THE ORGANIZATION**

Meridian Hill Pictures, LLC (“MHP”) is a corporation with two shareholders: co-founders, Executive Director Lance Kramer and Artistic Director Brandon Kramer. MHP is a mission-driven, community-focused documentary production studio based in Washington, DC. Founded in 2010, MHP makes it possible for people to share authentic and compelling stories through the power of documentary. Through independent films, video storytelling workshops, and commissioned short films, MHP’s expertise lies in people-centered documentary storytelling, connecting personal stories to broader context that drive strategic impact. MHP’s independent documentary films including CITY OF TREES (the “Project”, Film”, or “City of Trees”) have been broadcast nationally on Public Broadcasting Service and played at renowned festivals including Full Frame Documentary Film Festival, St. Louis International Film Festival, and the Yale, Princeton and DC Environmental Film Festivals. MHP has produced award-winning commissioned short-form documentaries and facilitated video storytelling trainings with dozens of non-profit, educational and public partners. MHP produces work that demonstrates excellence in storytelling craft, establishes trust with participants and partners, strategic thinking, and a deep embrace of documentary ethics. MHP’s work raises awareness of pressing social issues, democratizes the medium, builds people’s storytelling capacity, and strategically shares under-represented community perspectives with broad audiences. In 2014, MHP received the prestigious Mayor’s Arts Award, the highest honor bestowed upon working artists in the District of Columbia. Nearly all of MHP’s independent and commissioned projects are filmed in the District and focus on local DC communities – including CITY OF TREES.

District of Columbia Film Rebate Program

MHP is in the business of producing motion pictures in the District of Columbia (the “District”). This report has been prepared in accordance with the terms and conditions authorized by the Film DC Economic Incentive Act 2006, effective March 14, 2007 (D.C. Code §39-501) (the “Act”). Under the Act, MHP is entitled to a rebate of 42% of its qualified production expenditures that are subject to taxation in the District; 21% of MHP’s qualified production expenditures that are not subject to taxation in the District; 30% of MHP’s qualified personal expenditures, 50% of MHP’s qualified job training expenditures, and 25% of MHP’s base infrastructure investment incurred on a qualified production.

Under the Act, a qualified production is defined as a motion picture, television, or video content created in whole or in part in the District intended for nationwide distribution or exhibition by any means, including by motion picture, documentary, television programming, commercials, or internet video production. It also includes a trailer, pilot, or any video teaser associated with a qualified production. The rebates are dependent upon the following:

- a) MHP spending at least \$250,000 in the District for the development, preproduction, production, or post production costs of a qualified production, or invest and expend at least \$250,000 for a qualified film and digital media infrastructure project in the District;



**MERIDIAN HILL PICTURE, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED], TAX ID: [REDACTED]**  
**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**  
(continued)

**NOTE 1 – NATURE OF THE ORGANIZATION – continued**

District of Columbia Film Rebate Program (continued)

- b) filing an application with and entering into an incentive agreement with the Office of Cable Television, Film, Music and Entertainment (“OCTFME”);
- c) complying with the terms of the agreement; and
- d) not being delinquent in a tax or other obligation owed to the District or is owned or under common control of an entity that is delinquent in a tax or other obligation owed to the District.

Description of the Project

*Project Name:* CITY OF TREES

*Project Code:* [REDACTED]

*Project Duration:* October 1, 2010 through December 31, 2015

*Project Budget:* \$406,670

Amount awarded	\$ 235,539
MHP funds	177,891
Amount spent	<u>(406,670)</u>
Remaining Amount	<u>\$ -</u>

Since 1990, Washington Parks & People (“WPP”), a non-profit organization, has tried to reduce poverty and violence in the District neighborhoods by improving parks. At the height of the recession, WPP received a stimulus grant to create a "green" job-training program in communities hardest hit. They had two years to help unemployed people find jobs and improve parks in their neighborhoods.

Steve Coleman, a grassroots environmental activist who directs WPP, was tasked with using the grant to hire 150 unemployed residents to care for the city's most blighted urban parks and improve upon the soft skills required to get a job. For District resident Charles, the paycheck offered him a chance to give his newborn daughter the life he never had. For District resident Michael, the job training was a first step forward after a drug conviction marred his employment record. For District resident James, the program offered a chance to prove that his neighborhood roots positioned him as an unsung leader.

**MERIDIAN HILL PICTURE, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED], TAX ID: [REDACTED]**  
**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**  
(continued)

**NOTE 1 – NATURE OF THE ORGANIZATION – continued**

Description of the Project (continued)

What sounds like a simple goal — putting people back to work by planting trees — becomes complicated by local racial tensions, a community’s distrust of outsiders, and a fast-approaching deadline before the grant money runs out. Filmed in an unflinching and compelling verité approach over the course of more than two years, CITY OF TREES thrusts viewers into the inspiring but messy world of job training and the paradoxes change makers face in urban communities every day.

CITY OF TREES is an independent feature-length documentary film produced by MHP. Pre-production on the Film formally began in October 2010 and continued until the final cut was locked in October 2015. The film had its world premiere at the American Conservation Film Festival in Shepherdstown, West Virginia on October 25, 2015; its dual-DC Premiere on March 16, 2016, at the Carnegie Institution for Science; and on March 23, 2016 at THEARC in Southeast DC/Ward 8 as part of the Environmental Film Festival in the Nation’s Capital. The Film has played a total of ten festivals as of June 2016 and had its national public broadcast premiere on PBS/World Channel's documentary series America Reframed on April 19, 2016.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The SQPE was prepared on a modified cash basis of accounting as required by the Act.

Basis of Presentation

The SQPE presentation follows the requirements of the Act, and should not be used for any other purpose.

Capitalization of Production Assets

Production assets recorded at cost. Expenditures for maintenance and repairs are charged to expense when paid and are included with the SQPE according to the period of use of the related production asset in the District. Upon disposal of property, the appropriate the production assets are reduced by the related sales price. Any cash receipts from disposal are reflected as a reduction of costs in the SQPE. Costs for production assets not disposed of at the end of the production are reduced by the fair value of the asset.

**MERIDIAN HILL PICTURE, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED], TAX ID: [REDACTED]**  
**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**  
(continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Advertising Costs

Advertising expense is not a qualified production expense for purposes of the District film credit and, therefore, is excluded from qualified expenditures in the SQPE.

Use of Estimates

This SQPE was prepared in accordance with the requirements of the OCTFME, which require that the Company make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

No provision has been made in the SQPE for income taxes since all taxable income, losses, and credits are allocated to MHP itself or the owners of MHP and are not included in the SQPE of the Project.

**NOTE 3 – QUALIFIED PRODUCTION EXPENDITURES**

MHP is eligible to claim a rebate equal to 42% of its qualified production expenditures that are subject to the taxation in the District and 21% of its qualified production expenditures that are not subject to taxation in the District.

A qualified production expenditure is a preproduction, production or post production expenditure made in the District, which is defined as follows: (a) directly attributable to the production or the distribution of a qualified production; (b) for a qualified production, and; (c) in accordance with generally accepted entertainment industry practices. Qualified production expenditures include but are not limited to the purchase or rental of equipment, transportation within the District, leasing of vehicles, location fees, rental of soundstages, office space, food and lodging, catering, editing, photography, sound synchronization, lighting, makeup and hairdressing, wardrobe, props, set operations, set construction, set design, post production software and equipment, music and travel within the District.

Qualified production expenditures include the payment of wages, benefits or fees to any contractual or salaried employee, including above-the-line crew (both resident and non-resident) such as producers, directors, writers and actors. Qualified production expenditures also include below-the-line crew who are residents of the District. Qualified production expenditures include payments to personal service corporations or professional employment organizations for services.

**MERIDIAN HILL PICTURE, LLC  
CITY OF TREES**

**PROJECT: [REDACTED], TAX ID: [REDACTED]**

**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES  
FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**

(continued)

**NOTE 4 – QUALIFIED PERSONNEL EXPENDITURES**

MHP is eligible to claim a rebate equal to 30% of its qualified personnel expenditures, which is defined as an expenditure made in the District that is directly attributable to a qualified production subject to tax in the District. Qualified personnel expenditures include payment of wages, benefits or fees to any contractual or salaried employee who are below-the-line crew, which are not residents of the District. Qualified personnel expenditures include payments to personal service corporations or professional employment organizations for services.

**NOTE 5 – QUALIFIED JOB TRAINING EXPENDITURES**

MHP is eligible to claim a rebate equal to 50% of its qualified job training expenditures, which include salary and other expenditures paid to provide qualified personnel with on-the-job training to upgrade or enhance their skills. For purposes of qualified job training expenditures, qualified personnel are defined as below-the-line personnel costs of the production.

**NOTE 6 – QUALIFIED INFRASTRUCTURE INVESTMENTS**

MHP is eligible to claim a rebate equal to 25% of its base infrastructure investment, which includes the cost of renovation, rehabilitation, fabrication and installation, expended by a person in the development of the qualified film and digital media infrastructure project for tangible assets of a type that are, or under the United States Internal Revenue Code, will become eligible for depreciation, amortization, or accelerated capital cost recovery for federal income tax purposes that are physically located in the District for use in a business activity in the District and that are not mobile tangible assets. The term base infrastructure investment does not include qualified production expenditure or qualified personnel expenditure.

**NOTE 7 – PRODUCTION ASSETS**

As of December 31, 2015, MHP has assessed the fair value of video, sound and computer equipment that were used in the production of the Project as follows:

Assets Used in Production of the Project – District Purchases

Purchased Price of 2 Apple 27" iMac Computers	\$ 4,004
Cost Billable to Project (75% of purchased price)	3,003
Purchased Price of 2 Apple 21" iMac Computers	2,980
Cost Billable to Project (50% of purchased price)	1,490
Total District Assets Billable to Project	<u>\$ 4,493</u>

**MERIDIAN HILL PICTURE, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED], TAX ID: [REDACTED]**  
**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**  
(continued)

**NOTE 7 – PRODUCTION ASSETS - continued**

Assets Used in Production of the Project – Non-District Purchases

Purchased Price of 2 OWC 16TB RAIDs	\$ 3,052
Cost Billable to Project (100% of purchased price)	3,052
Purchased Price of Mac Pro and Canon Equipment	12,286
Cost Billable to Project (75% of purchased price)	9,214
Purchased Price of Sound Devices SD-302 Mixer	1,595
Cost Billable to Project (25% of purchased price)	399
Total Non-District Assets Billable to Project	<u>\$ 12,665</u>

**NOTE 8 – SOURCES OF FUNDS**

As of December 31, 2015, the Project received funding in the form of donations and a loan from the following sources:

USDA Forest Service Post-Production Grant	\$ 60,000
Crowdfunding campaign (Kickstarter)	60,539
Bancroft Foundation	30,000
All Souls Beckner Social Justice Fund	10,000
Promissory note through Congressional Bank	25,000
Line of credit through SunTrust Bank	25,000
Loan from related party	25,000
MHP funds	<u>171,131</u>
Total Sources of Funds	<u>\$ 406,670</u>

There were no non-monetary transactions included in the SQPE of the Project.

**NOTE 9 – DISTRICT OF COLUMBIA EXPENDITURES AND EMPLOYEE PAYROLL**

The production costs presented in the SQPE include the following aggregate total District expenditures and District resident employee payroll for the period ending December 31, 2015:

Total District Spend: \$ 256,371  
Total District Resident Employee Payroll: \$ 167,498\*

\*(includes Above the Line Expenses, Below the Line Expenses, and Below the Line Expenses – Post Production reflected on the Statement of Qualified Production Expenditures)

**MERIDIAN HILL PICTURE, LLC**  
**CITY OF TREES**  
**PROJECT: [REDACTED], TAX ID: [REDACTED]**  
**NOTES TO THE STATEMENT OF QUALIFIED PRODUCTION EXPENDITURES**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**  
(continued)

**NOTE 10 – NON-DISTRICT EXPENDITURES**

Costs incurred outside of the District are excluded from qualified production expenditures eligible for the rebate in accordance with the Act and guidelines from the OCTFME. These production costs are presented in the Non-District (unaudited) column on the SQPE.

**NOTE 11 – ACCOUNTS PAYABLE, ACCRUED CHARGES, AND DEFERRALS**

As of December 31, 2015, there were no accounts payable, accrued charges or deferrals included in the SQPE, which was prepared on a modified cash basis of accounting.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The sources of funds listed in Note 8, include a loan agreement in the amount of \$25,000 between [REDACTED] and MHP on December 31, 2014. [REDACTED]. According to the terms of the loan agreement, which bears an interest rate of 5% per annum, monthly payments of \$1,444 are to commence on February 1, 2017 for a total of 18 months. As of December 31, 2015, the outstanding loan balance totaled \$25,000.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The ultimate determination of amounts received for the District film rebates is based upon qualified production expenditures reported in the SQPE. Audits, if any, performed by the OCTFME may result in variances between their audit results and the amounts recorded in the SQPE. Until such audits have been completed and a final settlement reached, there exists a contingency that the OCTFME could disqualify some or all of MHP's file rebate. Management is of the opinion that no material liability will result from such audits.

**NOTE 14 – SUBSEQUENT EVENTS**

In preparing the SQPE, MHP's management has evaluated events and transactions for potential recognition or disclosure through September 19, 2016, the date the SQPE was available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

## **SUPPLEMENTARY INFORMATION**

**MERIDIAN HILL PICTURES, LLC**  
**CITY OF TREES**  
**PROJECT CODE: [REDACTED]**  
**TAX ID: [REDACTED]**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**

**QUALIFIED EXPENDITURE SUMMARY**  
**APPROVED REBATE CAP: \$85,000**

**Qualified job training expenditures (the 50% rebate category):**

Total Qualified Expenditures in 50% Rebate Category:	\$ <u>8,162</u>
Total maximum available rebate in 50% Rebate Category:	\$ <u>4,081</u>

**Qualified production expenditures taxable in the District (the 42% rebate category):**

Total Qualified Expenditures in 42% Rebate Category:	\$ <u>248,209</u>
Total maximum available rebate in 42% Rebate Category:	\$ <u>104,248</u>

**Qualified personnel expenditures (the 30% rebate category):**

Total Qualified Expenditures in 30% Rebate Category:	\$ <u>-</u>
Total maximum available rebate in 30% Rebate Category:	\$ <u>-</u>

**Qualified infrastructure expenditures (the 25% rebate category):**

Total Qualified Expenditures in 25% Rebate Category:	\$ <u>-</u>
Total maximum available rebate in 25% Rebate Category:	\$ <u>-</u>

**Qualified production expenditures not taxable in the District (the 21% rebate category):**

Total Qualified Expenditures in 21% Rebate Category:	\$ <u>10,960</u>
Total maximum available rebate in 21% Rebate Category:	\$ <u>2,302</u>

**Maximum aggregate qualified rebate based on reported qualified expenditures (sum of above categories):**

Total Qualified Expenditures:	\$ <u>267,331</u>
Total maximum available rebate:	\$ <u>110,631</u>



**MERIDIAN HILL PICTURES, LLC**  
**CITY OF TREES**  
**PROJECT CODE: [REDACTED]**  
**TAX ID: [REDACTED]**  
**FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015**  
**QUALIFIED PRODUCTION ECONOMIC IMPACT SUMMARY**

**Fiscal Impact, Estimated District of Columbia Tax Liability**

District Sales Tax	\$ 1,173
District Use Tax	-
Other Tax	289
	\$ 1,462

**District of Columbia Economic Impact:**

Total Qualified Expenditures Spent in District of Columbia	\$ 256,371
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**Out of State Regional Economic Impact:**

Total Expenditures Spent in Maryland, Virginia, or Delaware	19,360
Total Expenditures Spent in all Other States	130,939
Total Out of State Expenditures	150,299
 Total Production Expenditures	 \$ 406,670

**ADDITIONAL INFORMATION**

**Number of District of Columbia Residents Hired**

Permanent hires	5
Temporary hires (includes interns)	27
Total Number of District Residents Hired	32

**Wages Paid to District of Columbia Residents**

Permanent hires (includes Producer, Director, Director of Photography, and Assoc. Producer)	\$ 147,541
Temporary hires	19,957
Total Wages and Compensation Paid to District Residents	\$ 167,498

**Number of Non-District of Columbia Regional Hired**

Permanent hires	1
Temporary hires	8
Total Number of Non-District Residents Hired	9

**Wages Paid to Non-District of Columbia Residents**

Total wages paid to MD, VA and DE residents	\$ 2,803
Total wages paid to all other states residents	90,008
Total Wages and Compensation Paid to Non-District of Columbia Residents	\$ 92,811

MERIDIAN HILL PICTURES, LLC  
CITY OF TREES  
PROJECT CODE: [REDACTED]  
TAX ID: [REDACTED]  
FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015

QUALIFIED PRODUCTION EXPENDITURE REPORT

General

The qualified production expenditure report represents the production costs attributed to the production entitled "City of Trees" produced by Meridian Hill Pictures, LLC during the period October 1, 2010 to December 31, 2015.

Sources of Funds

As of December 31, 2015, City of Trees was financed by the following sources:

USDA Forest Service Post-Production Grant	\$ 60,000
Crowdfunding campaign (Kickstarter)	60,539
Bancroft Foundation	30,000
All Souls Beckner Social Justice Fund	10,000
Promissory note through Congressional Bank	25,000
Line of credit through SunTrust Bank	25,000
Loan from related party	25,000
MHP funds	171,131
Total Sources of Funds	<u>\$ 406,670</u>

There were no non-monetary transactions included in the cost of the production of the Project.

Accounts Payable, Accrued Charges, and Deferrals

As of December 31, 2015, there were no accounts payable, accrued charges or deferrals included in the Statement of Qualified Production Expenditures, which was prepared on a modified cash basis of accounting.

Related Party Transactions

The sources of funds include a loan agreement in the amount of \$25,000 between [REDACTED] and MHP on December 31, 2014. [REDACTED] According to the terms of the loan agreement, which bears an interest rate of 5% per annum, monthly payments of \$1,444 are to commence on February 1, 2017 for a total of 18 months.

NOTE: The auditor reviewed the signed loan agreement by both parties, the loan amortization schedule, the December 31, 2014, bank statement, and the general ledger to verify that the loan ws properly recorded in the accounting records.

## **ADDITIONAL INFORMATION**

## MERIDIAN HILL PICTURES, LLC

## CITY OF TREES

PROJECT: [REDACTED]

TAX ID: [REDACTED]

FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015

**QUALIFIED PRODUCTION EXPENDITURE DOCUMENTATION SCHEDULE****Above the Line Expenses**

Producer	\$	47,769
Director		46,728
Director of Photography		23,165
Consulting Producer		10,960
Total Above the Line Expenses		<u>128,622</u>

**Below the Line Expenses**

Cinematographer		910
Associate Producer		29,879
Assistant Director		2,503
Production Assistant		1,670
Research		285
Interns		12,399
Total Below the Line Expenses		<u>47,646</u>

**Below the Line Expenses - Post Production**

Editor		53,366
Assistant Editor		15,897
Consulting Editor		3,000
Graphics		7,245
Color Correction		5,810
Sound Editing		5,320
Trailer Editing		2,000
Composer		10,000
Transcriptions		525
Total Below the Line Expenses - Post Production	\$	<u>103,163</u>

## MERIDIAN HILL PICTURES, LLC

## CITY OF TREES

PROJECT: [REDACTED]

TAX ID: [REDACTED]

FOR THE PERIOD OCTOBER 1, 2010 TO DECEMBER 31, 2015

## QUALIFIED PRODUCTION EXPENDITURE DOCUMENTATION SCHEDULE

(continued)

**Other Expenses**

Video, Sound, and Computer Equipment	\$	17,158
Office Supplies		17,914
Postage		1,289
Local Transportation		698
Out of Town Transportation		2,246
Business Licenses and Permits		814
Meals		3,680
Publicity/Website		5,260
Business Insurance		7,479
Health Insurance		15,519
Rent		35,815
Accounting		6,989
Payroll Expenses		2,089
Telephone, Internet		5,289
Audit		5,000
Total Other Expenses		<u>127,239</u>
Total Expenses	\$	<u><u>406,670</u></u>