

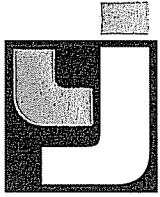
**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

**AND**

**ACCOUNTANTS' REVIEW REPORT**



JOHANSON & YAU  
ACCOUNTANCY CORPORATION

DAVID R. DAVIS  
FREDERICK U. LEONARD  
SHERYL L. HINSHAW  
BYRON J. ISHIWATA  
DAVID J. NEIGHBORS  

---

ANTHONY S. C. YAU  
*Of Counsel*

The Board of Directors  
Zero One - The Art and Technology Network  
San Jose, California

We have reviewed the accompanying statement of financial position of Zero One - The Art and Technology Network (the Organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Organization.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*Johanson & Yau  
Accountancy Corporation*

December 13, 2007

CERTIFIED PUBLIC ACCOUNTANTS  
160 WEST SANTA CLARA STREET, SUITE 900  
SAN JOSE, CALIFORNIA 95113-1700  
PHONE: 408/288-5111 FAX: 408/288-7174  
WWW.JYAC.COM

AN INDEPENDENT MEMBER  
OF BKR INTERNATIONAL  
WITH OFFICES IN PRINCIPAL  
CITIES AROUND THE WORLD

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ (12,206)	\$ 238,333	\$ 226,127
Prepaid expenses and deposits	823	-	823
	<u>(11,383)</u>	<u>238,333</u>	<u>226,950</u>
Property and equipment, net of accumulated depreciation - Note 2	<u>19,505</u>	<u>-</u>	<u>19,505</u>
	<u>\$ 8,122</u>	<u>\$ 238,333</u>	<u>\$ 246,455</u>

**LIABILITIES AND NET ASSETS**

Current liabilities			
Accounts payable	\$ 11,570	\$ -	\$ 11,570
Accrued expenses	6,503	-	6,503
Note payable - Note 4	10,002	-	10,002
	<u>28,075</u>	<u>-</u>	<u>28,075</u>
			-
Net assets			-
Unrestricted	(19,953)	-	(19,953)
Temporarily restricted	-	238,333	238,333
	<u>(19,953)</u>	<u>238,333</u>	<u>218,380</u>
	<u>\$ 8,122</u>	<u>\$ 238,333</u>	<u>\$ 246,455</u>

See accompanying notes to financial statements and  
accountants' review report

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

	Unrestricted	Temporarily Restricted	Total
Revenues and support from operations			
Contributions	\$ 154,832	\$ 50,000	\$ 204,832
Grants and contracts	620,277	436,984	1,057,261
Fundraising	76,868	-	76,868
In-kind donations	763,038	-	763,038
Miscellaneous income	3,354	-	3,354
Loss on disposal of asset	(3,417)	-	(3,417)
Net assets released from restrictions	248,651	(248,651)	-
Total revenue and support	1,863,603	238,333	2,101,936
Operating expenses			
Program services	2,070,117	-	2,070,117
Supporting services			
Management and general	79,926	-	79,926
Fundraising	47,216	-	47,216
Total operating expenses	2,197,258	-	2,197,258
Change in net assets	(333,655)	238,333	(95,322)
Net assets, beginning of year	313,702	-	313,702
Net assets, end of year	\$ (19,953)	\$ 238,333	\$ 218,380

See accompanying notes to financial statements and  
accountants' review report

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2007**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General &amp; Administrative</u>	<u>Fundraising</u>	
Salaries, payroll taxes, and benefits	\$ 278,312	\$ 21,647	\$ 9,277	\$ 309,236
Contract labor	179,832			179,832
<b>Total salaries and related expenses</b>	<b>458,144</b>	<b>21,647</b>	<b>9,277</b>	<b>489,068</b>
Exhibitions expense	802,456	-	-	802,456
Rent	52,360	4,072	1,745	58,178
Marketing	90,739	7,057	3,025	100,821
Supplies	4,535	353	151	5,039
Telephone	4,093	318	136	4,548
Insurance	4,555	354	152	5,061
Interest expense	-	953	-	953
Utilities	285	22	10	317
Printing and reproduction	54,605	4,247	1,820	60,672
Security	6,780	527	226	7,533
Trophies and awards	72,467	-	-	72,467
Funding raising expense	16,202	1,260	540	18,002
Postage and delivery	24,553	1,910	818	27,281
Office equipment	31,869	2,479	1,062	35,410
Conferences and workshops	184,288	14,333	6,143	204,764
Bank charges	5,531	430	184	6,146
Professional fees	13,575	1,056	452	15,083
Maintenance	2,098	163	70	2,331
License and permits	5,082	395	169	5,647
Travel	191,131	14,866	6,371	212,368
Professional development and workshops	43,423	3,377	1,447	48,248
Meals and entertainment	-	-	13,371	13,371
<b>Total expenses before depreciation</b>	<b>2,068,772</b>	<b>79,821</b>	<b>47,172</b>	<b>2,195,764</b>
Depreciation	1,345	105	44	1,494
<b>Total functional expenses</b>	<b>\$ 2,070,117</b>	<b>\$ 79,926</b>	<b>\$ 47,216</b>	<b>\$ 2,197,258</b>

See accompanying notes to financial statements and  
accountants' review report

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2007**

Cash flow from operating activities	
Change in net assets	\$ (95,322)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation	1,494
Loss on disposal of asset	3,417
Decrease in assets	
Prepaid expenses and deposits	470
Increase in liabilities	
Accounts payable and accrued expenses	<u>11,080</u>
Net cash used for operating activities	<u>(78,861)</u>
Cash flows from investing activities	
Acquisition of property and equipment	<u>(15,000)</u>
Net cash used for investing activities	<u>(15,000)</u>
Cash flows from financing activities	
Proceeds from note payable	30,000
Repayment of note payable	<u>(19,998)</u>
Net cash provided by financing activities	<u>10,002</u>
Net decrease in cash	(83,859)
Cash and cash equivalents, beginning of year	<u>309,986</u>
Cash and cash equivalents, end of year	<u><u>\$ 226,127</u></u>

See accompanying notes to financial statements and  
accountants' review report

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization - Zero One - The Art and Technology Network (the Organization) is a not-for-profit organization, formed in the state of California in 2000 to encourage creativity at the intersection of art and technology, and to organize a major festival celebrating this creative intersection. The Organization's support comes primarily from various corporate grants and individual donors' contributions. During the summer of 2007, The Organization hired Liquid Agency to rebrand the organization and the festival. The final result was Zero1 and 01SJ for the foundation and the festival, respectively.

Basis of Presentation - The Organization complies with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are unrestricted resources available to support the Organization's activities and temporarily restricted resources that become available for use by the Organization in accordance with the intentions of the donors. Board designated funds and net investment in property and equipment are included in this category. Board designated funds are established by the Board of Directors and represent unrestricted funds which are to be used for future needs of the Organization.
- Temporarily restricted net assets consist of donor-restricted contributions for which the applicable restriction was not met as of the end of the current year. The Organization does not imply a time restriction on gifts of long-lived assets.
- Permanently restricted net assets include those assets which are subject to non-expiring donor restrictions, such as endowments.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor imposed restrictions, if any, and upon whether the restrictions are met in the current year.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with original maturity dates of three months or less.

Use of Estimates - In accordance with generally accepted accounting principles, management has made estimates and assumptions that affect certain amounts and disclosures which could differ from actual results.

Property, Equipment and Depreciation - Property and equipment are recorded at cost or, if contributed, at the estimated fair value when donated. The Organization generally capitalizes additions of property and equipment with a cost or fair market value in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful life of 5 years. Depreciation expense for the year ended June 30, 2007 was \$1,494.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services benefited based on management's estimates.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes under Section 23701(d) of the Revenue and Taxation Code for California. The Organization is not classified as a private foundation.

**NOTE 2 - PROPERTY AND EQUIPMENT**

At June 30, property and equipment consisted of the following:

Software	\$ 15,653
Equipment	2,855
Computer equipment	<u>3,543</u>
	22,051
Less accumulated depreciation	<u>2,546</u>
Net property and equipment	<u>\$ 19,505</u>

**ZERO ONE - THE ART AND TECHNOLOGY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

At June 30, the Organization's donor restricted funds consisted of the following:

Purpose/Time restriction:

Foundation support for 2008 performances program	\$ 200,000
Corporate support for 2008 education program	30,000
Individual support for office manager	<u>8,333</u>
	<u>\$ 238,333</u>

**NOTE 4 - NOTE PAYABLE**

Note payable at June 30, 2007 consisted of:

Note payable to Arts Loan Fund, unsecured payable in monthly principal installments of \$3,333, interest at 6% due upon maturity, due September 2007, guaranteed by the Organization's board of directors.	<u>\$ 10,002</u>
--	------------------