

**ZERO1: THE ART & TECHNOLOGY NETWORK
(A CALIFORNIA NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

WITH

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

YEAR ENDED JUNE 30, 2018

ZERO1: THE ART & TECHNOLOGY NETWORK

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
ZERO1: THE ART & TECHNOLOGY NETWORK

San Jose, CA

We have reviewed the accompanying financial statements of ZERO1: The Art & Technology Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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

A handwritten signature in black ink, appearing to read "D. Smith", is written over a horizontal line.

Oakland, California
March 11, 2019

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS		
Cash	\$	62,559
Pledges receivables		10,000
Prepaid expenses		<u>2,457</u>
TOTAL CURRENT ASSETS		<u>75,016</u>
OTHER ASSETS		
Property and equipment, net		<u>14,417</u>
TOTAL ASSETS	\$	<u><u>89,433</u></u>
LIABILITIES		
Accounts payable	\$	4,323
Accrued compensation		9,198
Deferred revenue		<u>47,654</u>
TOTAL CURRENT LIABILITIES		<u>61,175</u>
NET ASSETS		
Unrestricted		15,245
Temporarily restricted		<u>13,013</u>
TOTAL NET ASSETS		<u>28,258</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>89,433</u></u>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Support			
Contributions	\$ 32,064	\$ -	\$ 32,064
Grants and awards	485,944	25,000	510,944
Other	-	-	-
Revenue			
Interest income	190	-	190
Other	3,565	-	3,565
Net assets released from restrictions	<u>11,987</u>	<u>(11,987)</u>	<u>-</u>
Total support and revenue	<u>533,750</u>	<u>13,013</u>	<u>546,763</u>
Expenses			
Program services			
Art activities	424,344	-	424,344
Supporting services			
Management and general	86,790	-	86,790
Fundraising	<u>30,294</u>	<u>-</u>	<u>30,294</u>
Total expenses	<u>541,428</u>	<u>-</u>	<u>541,428</u>
INCREASE/(DECREASE) IN NET ASSETS	(7,678)	13,013	5,335
NET ASSETS AT BEGINNING OF YEAR	<u>22,925</u>	<u>-</u>	<u>22,925</u>
NET ASSETS AT END OF YEAR	\$ <u>15,245</u>	\$ <u>13,013</u>	\$ <u>28,258</u>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	<u>Art Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 129,159	\$ 29,128	\$ 23,248	\$ 181,535
Payroll taxes	12,517	2,823	2,253	17,593
Employee benefits	8,559	1,930	1,541	12,030
Subtotal compensation	<u>150,235</u>	<u>33,882</u>	<u>27,041</u>	<u>211,158</u>
Conferences and meetings	1,239	506	477	2,222
Donations to partners	-	-	-	-
Dues, fee and licenses	1,034	854	-	1,888
Equipment leases and purchases	-	-	-	-
Insurance	-	4,905	-	4,905
Interest expense	-	39	-	39
Occupancy	8,050	1,816	1,449	11,315
Outside services	176,630	5,851	1,094	183,575
Postage	236	567	-	803
Printing	-	141	-	141
Professional services	3,724	36,593	-	40,317
Supplies	33,003	815	-	33,818
Telephone and internet	684	154	123	962
Travel	48,903	531	-	49,434
Depreciation expense	605	137	109	851
TOTAL	\$ <u>424,344</u>	\$ <u>86,790</u>	\$ <u>30,294</u>	\$ <u>541,428</u>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	5,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		851
(Increase) decrease in operating assets		
Receivables		(10,000)
Prepaid expenses		(90)
Increase (decrease) in operating liabilities		
Accounts payable		(5,492)
Accrued compensation		2,533
Deferred revenue		(46,631)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES		<u>(53,494)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of capital assets		<u>(14,699)</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES		<u>(14,699)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(68,193)
CASH AND CASH EQUIVALENTS, beginning of the year		<u>130,752</u>
CASH AND CASH EQUIVALENTS, end of the year	\$	<u><u>62,559</u></u>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

ZERO1: The Art & Technology Network (ZERO1), the Organization, is a California nonprofit public benefit corporation formed in 2000 operating in San Jose, California. ZERO1: The Art & Technology Network is where art meets technology to shape the future. As a 21st century arts nonprofit, ZERO1 works with some of the world's most fertile and creative minds from the fields of art, science, design, architecture and technology to produce an international showcase of work at the nexus of art and technology.

NOTE 2 – PROGRAM

ZERO1's core program includes American Arts Incubator (AAI), supported by the US Department of State's Bureau of Educational and Cultural Affairs. The program sends some of the most fertile and creative minds from the arts, science, technology, design and architecture abroad as cultural ambassadors on an international creative exchange to facilitate community-driven digital and new media art projects in six different countries annually. The purpose of AAI is to instigate dialogue, build communities, bolster local economies, and further social innovation. ZERO1's other programming includes public art works, talks, workshops, and other creative interventions that leverage art, science, and technology to create social change.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting standards for non-profit organizations. The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. *Temporary restricted net assets* include those assets, which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. *Permanently restricted net assets* include those assets, which are subject to a non-expiring donor restriction, such as an endowment. The Organization currently does not have any permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is not classified as a private foundation and is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is a publicly supported organization. The Financial Accounting Standards Board prescribes a recognition threshold and a measurement attribute for financial statement recognition of tax positions taken or expected to be taken on a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies and believes no material uncertain tax positions exist.

Cash and Cash Equivalents

For purposes of the statement of cash flows the Organization considers cash and cash equivalents to include all cash accounts held in financial institutions, with an initial maturity of three months or less.

Contributions

The Organization accounts for contributions received and contributions made in accordance with accounting standards for non-profit organizations. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence of and, or nature of any donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets are reclassified to unrestricted net assets when donor requirements are met.

Contributions In-Kind

In-kind contributions are recognized on the statement of activities at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. In addition, the Organization receives donated services that do not require specific expertise but are nonetheless central to the Organization's operations and do not meet the requirements for recognition in the financial statements per generally accepted accounting principles.

Allowance for Doubtful Accounts

The Organization does not maintain an allowance for doubtful accounts on grants, memberships and donations receivable as these funding sources are likely to be received.

Credit Risk

Financial instrument that potentially subject the Organization to concentrations of credit risk is cash. The Organization places its cash in banks that are insured in limited amounts by the U.S. Government up to \$250,000. As of June 30, 2018, the Organization had no cash in the bank in excess of federally insured limits.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at estimated fair market value when donated. It is the Organization's policy to capitalize items that have a life greater than two years and a cost of \$500 or more. Depreciation is computed using the straight-line method over the asset's estimated useful life, which ranges from five to ten years. Depreciation is charged to the activity benefiting from the use of the facilities or equipment.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Grants, contributions and donations are recognized as revenue in the period in which they are awarded in writing. Restricted grants, contributions and donations are recorded as an increase in restricted revenue and are reclassified to unrestricted revenue as restrictions are met. Art exhibit fees and space rental fees are recognized as revenue in the period in which the related service is provided.

Concentration of Revenue

The Organization received approximately 82% of its revenue from the U. S. Department of State.

Indirect Expense Allocations

The costs of operating the Organization's program and supporting services have been summarized in the statement of functional expenses. Accordingly, salaries and related expenses have been allocated among the programs and supporting services benefited based on employee work assignments, as estimated by management. Shared expenses such as occupancy, telephone, depreciation, etc. are allocated based on the benefited functions.

NOTE 4 – PROPERTY AND EQUIPMENT

Property, equipment and related accumulated depreciation is as follows:

Equipment and furniture	\$	45,682
Software and website design		<u>31,989</u>
Subtotal		77,671
Accumulated depreciation		<u>(63,254)</u>
Net book value	\$	<u><u>14,417</u></u>

Depreciation expense is \$851 for the year ended June 30, 2018.

NOTE 5 – CONTINGENT LIABILITIES

Conditions contained within the various grants awarded to the Organization are subject to the funding agency's criteria and can be subject to audit. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for costs questioned or be subject to reductions of future funding. Management does not anticipate any questioned costs for the grants administered during the period.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2018 the Organization's temporarily restricted net asset activity is as follows:

	<u>06/30/17</u>	<u>Additions</u>	<u>Releases</u>	<u>06/30/18</u>
Hewlett Foundation:				
Organization effectiveness grant	<u>-</u>	<u>25,000</u>	<u>11,987</u>	<u>13,013</u>
Total	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 11,987</u>	<u>\$ 13,013</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During the year ended June 30, 2018, the Organization did not receive any donated services from unpaid volunteers that do not satisfy the criteria for recognition under FASB ASC 958-605-25-16.

During the year ended June 30, 2018, the organization received professional service -public art planning and creative placemaking. These services cost is \$3,500.

NOTE 8 – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, June 30, 2018, through March 11, 2019, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.