

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

FINANCIAL STATEMENTS

WITH

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

YEAR ENDED JUNE 30, 2019

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 Francisco, 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, 2019, 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 "Joseph L.", is written over a light blue horizontal line.

Iryna Accountancy Corporation

Oakland, California
December 31, 2019

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

| ASSETS | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|-----------------------|
| Cash | \$ 72,822 | \$ 14,495 | \$ 87,317 |
| Pledges receivables | 7,000 | 39,900 | 46,900 |
| Prepaid expenses | <u>2,334</u> | <u>-</u> | <u>2,334</u> |
| TOTAL CURRENT ASSETS | <u>82,156</u> | <u>54,395</u> | <u>136,551</u> |
| OTHER ASSETS | | | |
| Property and equipment, net | <u>13,355</u> | <u>-</u> | <u>13,355</u> |
| TOTAL ASSETS | <u>\$ 95,511</u> | <u>\$ 54,395</u> | <u>\$ 149,906</u> |
| LIABILITIES | | | |
| Accounts payable | 1,006 | - | 1,006 |
| Accrued compensation | 8,173 | - | 8,173 |
| Deferred revenue | <u>62,505</u> | <u>-</u> | <u>62,505</u> |
| TOTAL CURRENT LIABILITIES | <u>\$ 71,684</u> | <u>\$ -</u> | <u>\$ 71,684</u> |
| NET ASSETS | | | |
| Without donor restrictions | 23,827 | - | 23,827 |
| With donor restrictions | | | |
| Purpose and time restrictions | <u>-</u> | <u>54,395</u> | <u>54,395</u> |
| TOTAL NET ASSETS | <u>23,827</u> | <u>54,395</u> | <u>78,222</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 95,511</u> | <u>\$ 54,395</u> | <u>\$ 149,906</u> |

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|-----------|
| Revenue and Support | | | |
| Support | | | |
| Contributions | \$ 33,371 | \$ - | \$ 33,371 |
| Grants and awards | 433,345 | 64,900 | 498,245 |
| Other | - | - | - |
| Revenue | | | |
| Interest income | 219 | - | 219 |
| Other | 5,832 | - | 5,832 |
| Net assets released from restrictions | 23,518 | (23,518) | - |
| Total support and revenue | 496,285 | 41,382 | 537,667 |
| Expenses | | | |
| Program services | | | |
| Art activities | 403,371 | - | 403,371 |
| Supporting services | | | |
| Management and general | 62,392 | - | 62,392 |
| Fundraising | 21,939 | - | 21,939 |
| Total expenses | 487,702 | - | 487,702 |
| Change in net assets | 8,583 | 41,382 | 49,965 |
| Net assets at beginning of year | 15,245 | 13,013 | 28,258 |
| Net assets at end of year | \$ 23,827 | \$ 54,395 | \$ 78,222 |

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

| | <u>Art Activities</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------------|--------------------------|-----------------------------------|-------------------------|--------------------------|
| Payroll | \$ 124,075 | \$ 18,628 | \$ 11,499 | \$ 154,202 |
| Payroll taxes | 10,029 | 1,509 | 928 | 12,466 |
| Employee benefits | <u>7,462</u> | <u>1,177</u> | <u>713</u> | <u>9,352</u> |
| Subtotal compensation | 141,566 | 21,314 | 13,140 | 176,020 |
| Conferences and meetings | 198 | 525 | 18 | 741 |
| Donations to partners | - | - | - | - |
| Dues, fee and licenses | 1,417 | 362 | 172 | 1,951 |
| Equipment leases and purchases | 2,793 | 402 | 247 | 3,442 |
| Insurance | - | 4,925 | - | 4,925 |
| Interest expense | - | - | - | - |
| Occupancy | 19,779 | 1,561 | 960 | 22,300 |
| Outside services | 144,105 | 2,149 | 755 | 147,009 |
| Postage | 605 | 65 | 40 | 710 |
| Printing | 227 | - | - | 227 |
| Professional services | 7,456 | 30,338 | 5,964 | 43,758 |
| Supplies | 21,166 | 556 | - | 21,722 |
| Telephone and internet | 400 | 3 | 2 | 405 |
| Travel | 62,597 | 192 | 641 | 63,430 |
| Depreciation expense | <u>1,062</u> | <u>-</u> | <u>-</u> | <u>1,062</u> |
| TOTAL | \$ <u>403,371</u> | \$ <u>62,392</u> | \$ <u>21,939</u> | \$ <u>487,702</u> |

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----|----------|
| Change in net assets | \$ | 49,965 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | | 1,062 |
| (Increase) decrease in operating assets | | |
| Receivables | | (36,900) |
| Prepaid expenses | | 123 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | | (3,317) |
| Accrued compensation | | (1,025) |
| Deferred revenue | | 14,851 |
| NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES | | 24,759 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--|--------|
| Acquisition of capital assets | | - |
| NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES | | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 24,759 |

| | | |
|--|----|---------------|
| Cash and cash equivalents, beginning of year | | |
| Unrestricted cash and cash equivalents | | 49,546 |
| Restricted cash and cash equivalents | | 13,013 |
| Total cash and cash equivalents, beginning of year | | <u>62,559</u> |
| Cash and cash equivalents, end of year | | |
| Unrestricted cash and cash equivalents | | 72,822 |
| Restricted cash and cash equivalents | | 14,495 |
| Total cash and cash equivalents, end of year | \$ | <u>87,317</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

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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)

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. There was no board-designated endowment as of June 30, 2019.

Net Assets With Donor Restrictions – Net assets subject to donor-(or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no donor-imposed restrictions perpetual in nature as of June 30, 2019.

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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, the Organization had no cash in the bank in excess of federally insured limits.

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 79% of its revenue from the U. S. Department of State.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | |
|---|------------------|
| Cash | \$ 72,822 |
| Pledge receivable | <u>7,000</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 79,822</u> |

The Organization’s significant revenue from grants and donations. Most of the donation are support without donor restrictions, As end of June 30, 2019, \$79,822 of financial assets are available to cover the organization’s liquidity needs.

NOTE 5 – PROPERTY AND EQUIPMENT

Property, equipment and related accumulated depreciation is as follows:

| | |
|-----------------------------|------------------|
| Equipment and furniture | \$ 45,682 |
| Software and website design | 31,989 |
| Accumulated depreciation | <u>(64,316)</u> |
| Net book value | <u>\$ 13,355</u> |

Depreciation expense is \$1,062 for the year ended June 30, 2019.

NOTE 6 – 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 7 –NET ASSETS WITH DONOR RESTRICTIONS

For the year ended June 30, 2019 the Organization's temporarily restricted net asset activity is as follows:

| | <u>06/30/18</u> | <u>Additions</u> | <u>Releases</u> | <u>06/30/19</u> |
|---|------------------|------------------|------------------|------------------|
| Organization effectiveness 2018 | 13,013 | - | 13,013 | - |
| Organization effectiveness 2019 | - | 25,000 | 10,505 | 14,495 |
| Organizational development | - | 5,000 | - | 5,000 |
| Youth arts action | - | 14,400 | - | 14,400 |
| ArtsLink International Fellowship Award | - | 6,500 | - | 6,500 |
| Transgenesis community/public art project | - | 14,000 | - | 14,000 |
| Total | \$ <u>13,013</u> | \$ <u>64,900</u> | \$ <u>23,518</u> | \$ <u>54,395</u> |

NOTE 8 – 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, 2019, 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, 2019, the organization received the following in-kind revenue:

| | |
|-----------------------|------------------|
| Professional services | \$ 7,000 |
| Rent | <u>22,300</u> |
| Total | \$ <u>23,900</u> |

NOTE 9 – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, June 30, 2019, through December 31, 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.