



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

FINANCIAL STATEMENTS

WITH

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

YEAR ENDED JUNE 30, 2020

Draft, December 04, 2020

ZERO1: THE ART & TECHNOLOGY NETWORK

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Draft, December 04, 2020

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors 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, 2020, 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 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.



Iryna Accountancy Corporation

Oakland, California
December 4, 2020

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Cash	\$ 90,357	\$ 8,250	\$ 98,607
Pledges receivable	41,440	-	41,440
Prepaid expenses	<u>6,476</u>	<u>-</u>	<u>6,476</u>
 TOTAL CURRENT ASSETS	 <u>138,273</u>	 <u>8,250</u>	 <u>146,523</u>
Property and equipment, net	<u>32,868</u>	<u>-</u>	<u>32,868</u>
 TOTAL ASSETS	 <u>\$ 171,141</u>	 <u>\$ 8,250</u>	 <u>\$ 179,391</u>
LIABILITIES			
Accounts payable	3,392	-	3,392
Accrued compensation	10,227	-	10,227
Deferred revenue	<u>57,702</u>	<u>-</u>	<u>57,702</u>
 TOTAL CURRENT LIABILITIES	 <u>\$ 71,321</u>	 <u>\$ -</u>	 <u>\$ 71,321</u>
NET ASSETS			
Without donor restrictions	99,820	-	99,820
With donor restrictions			
Purpose and time restrictions	<u>-</u>	<u>8,250</u>	<u>8,250</u>
 TOTAL NET ASSETS	 <u>99,820</u>	 <u>8,250</u>	 <u>108,070</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 171,141</u>	 <u>\$ 8,250</u>	 <u>\$ 179,391</u>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Support			
Contributions	\$ 52,375	\$ -	\$ 52,375
Grants and awards	453,504	-	453,504
In-kind	72,998	-	72,998
Revenue			
Interest income	186	-	186
Other	3,015	-	3,015
Net assets released from restrictions	<u>46,145</u>	<u>(46,145)</u>	<u>-</u>
Total support and revenue	<u>628,223</u>	<u>(46,145)</u>	<u>582,078</u>
Expenses			
Program services			
Art activities	439,557	-	439,557
Supporting services			
Management and general	79,975	-	79,975
Fundraising	<u>32,698</u>	<u>-</u>	<u>32,698</u>
Total expenses	<u>552,230</u>	<u>-</u>	<u>552,230</u>
Change in net assets	75,993	(46,145)	29,848
Net assets at beginning of year	<u>23,827</u>	<u>54,395</u>	<u>78,222</u>
Net assets at end of year	<u>\$ 99,820</u>	<u>\$ 8,250</u>	<u>\$ 108,070</u>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	<u>Art Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 108,893	\$ 18,663	\$ 18,663	\$ 146,219
Payroll taxes	8,528	1,462	1,462	11,452
Employee benefits	7,783	5,365	1,215	14,363
Subtotal compensation	125,204	25,490	21,340	172,034
Conferences and meetings	8,670	-	-	8,670
Payments to partners	37,508	-	-	37,508
Dues, fees, and licenses	3,375	2,384	525	6,284
Equipment leases and purchases	2,650	-	-	2,650
Insurance	-	5,414	-	5,414
Awards	24,000	-	-	24,000
Occupancy	35,902	3,333	2,583	41,818
Outside services	94,534	27,440	8,018	129,992
Postage	-	298	-	298
Printing	-	1,500	-	1,500
Professional services	1,358	12,533	232	14,123
Supplies	31,497	393	-	31,890
Telephone and internet	149	-	-	149
Travel	70,037	1,190	-	71,227
Depreciation expense	4,673	-	-	4,673
TOTAL	\$ 439,557	\$ 79,975	\$ 32,698	\$ 552,230

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1: THE ART & TECHNOLOGY NETWORK

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	29,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		4,673
(Increase) decrease in operating assets		
Receivables		5,460
Prepaid expenses		(4,142)
Increase (decrease) in operating liabilities		
Accounts payable		2,386
Accrued compensation		2,054
Deferred revenue		(4,803)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES		35,476

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of capital assets		(24,186)
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES		(24,186)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,290

Cash and cash equivalents, beginning of year		
Unrestricted cash and cash equivalents		72,822
Restricted cash and cash equivalents		14,495
Total cash and cash equivalents, beginning of year		87,317
Cash and cash equivalents, end of year		
Unrestricted cash and cash equivalents		90,357
Restricted cash and cash equivalents		8,250
Total cash and cash equivalents, end of year	\$	98,607

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 Francisco, 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

The Organization implemented the following recent pronouncements. The FASB issued the (ASU) No. 2014-09 - *Revenue from Contracts with Customers*, which supersedes the existing transaction and industry-specific revenue recognition guidelines. The new guidance requires the recognition of revenue to depict the transfer of 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. The ASU is effective for fiscal years beginning after December 15, 2018.

Also, the FASB issued (ASU) No. 2016-10 - *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, to clarify whether revenue should be recognized at a point in time or over time, based on whether the licensee provides a right to use an entity's intellectual property or a right to access the entity's intellectual property. The ASU is effect for fiscal years beginning after December 15, 2018.

These new pronouncements had no effect on the Organization's revenue recognition.

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 or board-designated endowment. There was no board reserved funds as of June 30, 2020.

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, 2020.

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 without donor or with donor restriction support depending on the existence of and, or nature of any donor restrictions. Restricted contributions are reported as an increase in net assets with donor restrictions are reclassified to net assets without donor restrictions 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 expected to be collected in full.

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, 2020, 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 a year 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 three to five 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 unconditionally promised. Grants, contributions, and donations with donor restrictions are recorded as an increase in revenue with donor restrictions and are reclassified to revenue without donor restrictions as restrictions are met.

Concentration of Revenue

The Organization received approximately 76% 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	\$	98,607
Pledge receivable		41,440
Less those unavailable for general expenditures within one year, due to restricted by donor with time or purpose restrictions:		<u>(8,250)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>131,797</u></u>

The Organization’s significant revenue from grants and donations. Most of the donation are support without donor restrictions, As end of June 30, 2020, \$131,797 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	\$	55,510
Software and website design		31,989
Accumulated depreciation		<u>(54,631)</u>
Net book value	\$	<u><u>32,868</u></u>

Depreciation expense is \$4,673 for the year ended June 30, 2020.

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, 2020 the change in net asset with donor restrictions:

	<u>06/30/19</u>	<u>Additions</u>	<u>Releases</u>	<u>06/30/20</u>
Organization effectiveness 2019	14,495	-	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	<u>14,000</u>	<u>-</u>	<u>5,750</u>	<u>8,250</u>
Total	\$ <u>54,395</u>	\$ <u>-</u>	\$ <u>46,145</u>	\$ <u>8,250</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, 2020, 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, 2020, the Organization received the following in-kind revenue:

Donated rent	\$ 23,933
Administrative services	1,500
Conference/festival admission	1,000
Marketing/promotion	11,000
Technical services	4,747
Warranty services	3,982
Donated equipment and goods	<u>26,836</u>
Total	\$ <u>72,998</u>

NOTE 9 – ECONOMIC INJURY DISASTER LOAN ADVANCE

On April 30, 2020 The Organization obtained a loan advance under the Economic Injury Disaster Loan (EIDL), in the amount of \$2,000. The loan advance was designed to provide economic relief to relief for organizations experiencing temporary loss of revenue during COVID-19 pandemic. The amount of the grant was determined by the number of employees (\$1,000/employee). The EIDL advance does not have to be repaid.

The Organization only requested the EIDL advance and no other aid assistance during the pandemic; thus, the Organization does not have to repay the EIDL advance, and the entire advance amount of \$2,000 has been recorded as revenue.

NOTE 10 – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, June 30, 2020, through December 4, 2020, 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.

In the US, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. While the extent and duration of the economic fallout from the COVID-19 pandemic remains unclear, the Organization's future performance might be affected by the pandemic.

Draft, December 04, 2020

Draft, December 04, 2020

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