



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

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**YEAR ENDED JUNE 30, 2021**

Draft V3, December 23, 2021

**2021-06 REVIEW**

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Draft V3, December 23, 2021

## 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, 2021, 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 10, 2021

**ZERO1 THE ART & TECHNOLOGY NETWORK**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 93,775	\$ -	\$ 93,775
Pledges receivable	20,000	-	20,000
Prepaid expenses	6,562	-	6,562
Other receivable	24,522	-	24,522
Property and equipment, net	23,921	-	23,921
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ <u>168,780</u>	\$ <u>-</u>	\$ <u>168,780</u>
<b>LIABILITIES</b>			
Accounts payable	986	-	986
Accrued compensation	8,500	-	8,500
PPP loans	66,434	-	66,434
Deferred revenue	22,681	-	22,681
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>98,601</u>	<u>-</u>	<u>98,601</u>
<b>NET ASSETS</b>			
Without donor restrictions	70,179	-	70,179
With donor restrictions			
	<u>          </u>	<u>          </u>	<u>          </u>
Purpose and time restrictions	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL NET ASSETS	<u>70,179</u>	<u>-</u>	<u>70,179</u>
TOTAL LIABILITIES and NET ASSETS	\$ <u>168,780</u>	\$ <u>-</u>	\$ <u>168,780</u>

See Accompanying Notes and Independent Accountant's Review Report.

**ZERO1 THE ART & TECHNOLOGY NETWORK**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 5,006	\$ -	\$ 5,006
Grants and awards	259,519	-	259,519
In-kind	17,575	-	17,575
Revenue			
Interest income	146	-	146
Other	11,220	-	11,220
Net assets released from restrictions	8,250	(8,250)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 301,716</b>	<b>\$ (8,250)</b>	<b>\$ 293,466</b>
<b>EXPENSES</b>			
Program services			
Art activities	221,540	-	221,540
Supporting activities			
Management and general	68,514	-	68,514
Fundraising	41,303	-	41,303
<b>TOTAL EXPENSES</b>	<b>331,357</b>	<b>-</b>	<b>331,357</b>
Changes in net assets	(29,641)	(8,250)	(37,891)
Net assets at beginning of year	99,820	8,250	108,070
Net assets at end of year	\$ 70,179	\$ -	\$ 70,179

See Accompanying Notes and Independent Accountant's Review Report.

**ZERO1 THE ART & TECHNOLOGY NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	<u>Art Activities</u>	<u>Management/ General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 85,028	\$ 25,300	\$ 32,346	\$ 142,674
Payroll taxes	6,688	1,988	2,542	11,218
Employee benefits	5,510	1,621	2,080	9,211
Worker's compensation	683	204	261	1,148
Conferences and meetings	7,552	-	-	7,552
Payments to partners	65,852	-	-	65,852
Dues, fees, and licenses	4,652	2,447	1,801	8,900
Equipment leases and purchases	1,910	-	-	1,910
Insurance	516	5,469	-	5,985
Awards	8,000	-	-	8,000
Advertising	1,570	189	97	1,856
Occupancy	9,249	2,450	2,176	13,875
Outside services	14,419	24,125	-	38,544
Postage	-	46	-	46
Printing	547	-	-	547
Supplies	1,800	3	-	1,803
Telephone and internet	331	-	-	331
Travel	2,658	-	-	2,658
Depreciation expense	4,575	4,672	-	9,247
<b>TOTAL</b>	<b>\$ <u>221,540</u></b>	<b>\$ <u>68,514</u></b>	<b>\$ <u>41,303</u></b>	<b>\$ <u>331,357</u></b>

See Accompanying Notes and Independent Accountant's Review Report.

ZERO1 THE ART & TECHNOLOGY NETWORK

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(37,891)
Adjustments to reconcile change in net assets to net cash provided / (used) by operating activities:		
Depreciation expense		9,247
(Increase) decrease in operating assets		
Receivables		(3,082)
Prepaid expenses		(86)
Increase (decrease) in operating liabilities		
Accounts payable		(2,406)
Accrued compensation		64,707
Deferred revenue		(35,021)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES		<u>(4,532)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of capital assets		<u>(300)</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES		<u>(300)</u>

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (4,832)

Cash and cash equivalents, beginning of year		
Unrestricted cash and cash equivalents		90,357
Restricted cash and cash equivalents		8,250
Total cash and cash equivalents, beginning of year		<u>98,607</u>
Cash and cash equivalents, end of year		
Unrestricted cash and cash equivalents		93,775
Restricted cash and cash equivalents		<u>-</u>
Total cash and cash equivalents, end of year	\$	<u><u>93,775</u></u>

See Accompanying Notes and Independent Accountant's Review Report.

## ZERO1 THE ART & TECHNOLOGY NETWORK

### NOTES TO FINANCIAL STATEMENTS

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#### 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 SERVICES

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

##### *Basis of Accounting*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

##### *Adoption of Accounting Pronouncement*

In 2020, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*.

Analysis of various provisions of the standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with these standards.



## NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

### *Net Assets*

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 were no board reserved funds as of June 30, 2021.

*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 those 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, 2021.

### *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 and Contributions Receivable*

Contributions are recognized as revenue when received or unconditionally promised. Contributions received are recorded as without donor restrictions or with donor restriction support, depending on the existence and/or nature of any donor restrictions.

### NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with time and purpose restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional pledges are recognized as receivables and revenue when the conditions on which they depend are substantially met. Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization uses the allowance method to determine uncollectible receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Cash received before conditions or contributions are met are deferred and presented as deferred revenue on the statement of financial position.

#### *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.

#### *Revenue Recognition*

The Organization recognizes revenue on the accrual basis of accounting. Service and interest income is recognized as revenue in the period in which the service is provided, or interest is earned.

#### *Concentration of Credit Risk*

Financial instrument that potentially subject the Organization to concentrations of credit risk is cash deposits. 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, 2021, 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.

## NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Concentration of Revenue*

The Organization received approximately 68% of its revenue from the U. S. Department of State.

### *Functional Allocation of Expenses*

The costs of providing various programs and other activities are summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the management estimate. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Salaries and related expenses are allocated based on employees' direct time spent on program or support activities or the best estimate of time spent. Given the collaborative manner in which the Organization delivers its program, rents are allocated based on staff hours devoted to each function. Expenses, other than salaries and related expense, which are not directly identifiable by program or support services, are allocated based on the best management's estimate.

### *Fair Value of Financial Instruments*

The following methods and assumptions were used by the Organization in establishing the fair value of its financial statements: the carrying amounts of cash, short-term investments, grant and accounts receivables, prepaid expenses, deposits and accounts payable, accrued expenses, and other current liabilities approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables and payables approximate fair value as these receivables and payables earn or are charged interest based on the prevailing rates.

### *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses a fair value hierarchy which is categorized into three levels as follows:

*Level 1* – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in active markets, valuation of these balances does not entail a significant degree of judgment.

*Level 2* – Valuations are based on quoted prices for similar assets or liabilities in active markets from those willing to trade that are not active or for which other inputs can be corroborated by market data.

*Level 3* – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement and represent the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for an asset or liability.

Currently, the Organization does not have any assets measured at fair value.

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	\$ 93,775
Pledge receivable	\$20,000
Other receivable	\$24,522
Less those unavailable for general expenditures within one year, due to restricted by donor with time or purpose restrictions:	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 138,297</u>

\$138,297 of financial assets are available to cover the Organization’s liquidity needs. The Organization has a goal to maintain sufficient financial assets on hands, which consists of cash and receivables, to meet the total of next fiscal year’s projected management and fundraising expenses, which are expected to be approximately \$95,101. The Organization’s program activity is funded by expense reimbursement contracts, primarily. Based on projected estimate, the Organization has sufficient liquid assets.

NOTE 5 – PROPERTY AND EQUIPMENT

Property, equipment, and related accumulated depreciation is as follows:

Equipment and furniture	\$ 55,809
Software and website design	\$31,989
Accumulated depreciation	<u>(\$63,878)</u>
Net book value	<u>\$ 23,920</u>

Depreciation expense is \$9,247 for the year ended June 30, 2021.

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, 2021 the change in net asset with donor restrictions as follows:

	06/30/2020	<u>Additions</u>	<u>Releases</u>	06/30/2021
Transgenesis community/public art project	<u>8,250</u>	-	<u>8,250</u>	-
Total	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ 8,250</u>	<u>\$ -</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, 2021, the Organization received services from three board members, who provide about 102 volunteer hours. The 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, 2021, the Organization received the following in-kind revenue:

Donated rent	\$	11,575
Administrative services		200
Conference/festival admission		500
Marketing/promotion		1,000
Technical services		4,000
MacBook		300
Total	\$	<u>17,575</u>

#### NOTE 9 – PAYCHECK PROTECTION PROGRAM LOANS

The Paycheck Protection Program (PPP) Flexibility Act (the Flexibility Act) was signed into law on June 5, 2020 and extended the deferral payment period from six months after the loan disbursement date until the date on which the loan can be forgiven. A borrower could apply for the loan forgiveness if a borrower meets the criteria under which the loan can be forgiven. Once the loan is forgiven, a borrower can recognize a loan as revenue.

On February 12, 2021 and May 15, 2021, the Organization obtained two loans in amount of \$33,217 each under the PPP. The total amount of the loans as of June 30, 2021 is \$66,434. The loans carry interest of one percent. The management believes that both loans and related interest will be fully forgiven.

#### NOTE 10 – EMPLOYEE RETENTION CREDIT

Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

During the year ended June 30, 2021, the Organization applied to receive \$24,522 under ERC. The amount is recorded as grant revenue and receivables for the year ended June 30, 2021, because all barriers have been met.

#### NOTE 11 – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, June 30, 2021, through December 10, 2021, 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.

Draft V3, December 23, 2021

Draft V3, December 23, 2021

**IRYNA ACCOUNTANCY CORPORATION**

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