

ZERO1: THE ART & TECHNOLOGY NETWORK

Audited Financial Statements

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ZERO1: The Art & Technology Network:

We have audited the accompanying statement of financial position of ZERO1: The Art & Technology Network (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and our report dated November 2, 2011 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ZERO1: The Art & Technology Network as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of Actual Activities and Budget Comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of Actual Activities and Budget Comparison has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have not examined the budget information and, accordingly, do not express an opinion or any other form of assurance on it. Furthermore, there will usually be differences between the budget and actual results, due to events and circumstances that do not occur as expected, and these differences may be material.



Pleasanton, California
February 4, 2013

ZERO1: The Art Technology Network
Statement of Financial Position
June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Summarized 2011</u>
ASSETS				
Cash and cash equivalents	\$62,407	\$581,486	\$643,893	\$72,911
Grants and donations receivable	28,085	162,433	190,518	535,746
Prepaid expenses	202,454		202,454	2,273
TOTAL CURRENT ASSETS	<u>292,946</u>	<u>743,919</u>	<u>1,036,865</u>	<u>610,930</u>
Grants receivable, long term, net				60,000
Deposits	19,052		19,052	3,495
Property and equipment, net	307,787		307,787	46,388
TOTAL ASSETS	<u>\$619,785</u>	<u>\$743,919</u>	<u>\$1,363,704</u>	<u>\$720,813</u>
LIABILITIES				
Accounts payable	\$117,970		\$117,970	\$40,068
Accrued compensation	23,930		23,930	7,676
Accrued expenses	221,838		221,838	
Deferred rent	133,408		133,408	
Short term loan	205,750		205,750	50,000
TOTAL CURRENT LIABILITIES	<u>702,896</u>		<u>702,896</u>	<u>97,744</u>
NET ASSETS				
Unrestricted	(83,111)		(83,111)	328,069
Temporarily restricted		\$743,919	743,919	295,000
TOTAL NET ASSETS	<u>(83,111)</u>	<u>743,919</u>	<u>660,808</u>	<u>623,069</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$619,785</u>	<u>\$743,919</u>	<u>\$1,363,704</u>	<u>\$720,813</u>

The accompanying notes are an integral part of this financial statement.

ZERO1: The Art Technology Network
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total 2012	Summarized 2011
SUPPORT AND REVENUE				
Contributons	\$17,969	\$247,239	\$265,208	\$69,143
Grants & awards	250	1,087,442	1,087,692	987,600
In-kind donations	404,813		404,813	48,690
Special events, net				20,237
Interest income	2,197		2,197	16
Art exhibit fees	32,500		32,500	3,000
Fiscal sponsorship fees	15,597		15,597	
Miscellaneous income	268		268	
Net assets released from temporary restrictions				
Expiration of purpose & time restrictions	885,762	(885,762)		
Total Support and Revenue	<u>1,359,356</u>	<u>448,919</u>	<u>1,808,275</u>	<u>1,128,686</u>
EXPENSES				
Program services				
Art activities	736,142		736,142	1,328,327
Bay lights	713,746		713,746	
Supporting services				
Management and general	170,786		170,786	171,859
Fund-raising	149,862		149,862	123,106
Total Expenses	<u>1,770,536</u>		<u>1,770,536</u>	<u>1,623,292</u>
INCREASE / (DECREASE) IN NET ASSETS	(411,180)	448,919	37,739	(494,606)
NET ASSETS AT BEGINNING OF YEAR	<u>328,069</u>	<u>295,000</u>	<u>623,069</u>	<u>1,117,675</u>
NET ASSETS AT END OF YEAR	<u>(\$83,111)</u>	<u>\$743,919</u>	<u>\$660,808</u>	<u>\$623,069</u>

The accompanying notes are an integral part of this financial statement.

ZERO1: The Art Technology Network
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services			Supporting Services			Total	Summarized
	Art Activities	Bay Lights	Total	Mgmt & General	Fund-Raising	Total	2012	2011
Compensation	\$275,621		\$275,621	\$82,686	\$101,061	\$183,748	\$459,369	\$329,996
Payroll taxes	19,639		19,639	5,892	7,201	13,093	32,732	24,890
Employee benefits	8,303		8,303	2,491	3,045	5,536	13,839	33,463
Subtotal compensation	303,564		303,564	91,069	111,307	202,376	505,940	388,349
Artist fees	4,000		4,000				4,000	
Catering receptions / events	4,163		4,163		2,067	2,067	6,230	15,040
Conferences & meetings	3,027		3,027	1,556	61	1,617	4,644	1,815
Dues, fees, licenses etc.	2,100	\$6,240	8,340	2,569	54	2,623	10,963	18,599
Equipment lease / purchase	460		460				460	52,751
Honorariums	511		511				511	496,538
Insurance	1,112	687	1,799	1,813	408	2,220	4,019	7,975
Interest expense				6,573		6,573	6,573	413
Marketing costs	7,485		7,485				7,485	85,018
Occupancy & storage	141,912		141,912	16,696	8,348	25,043	166,955	120,318
Outside services	226,242	277,336	503,578	350	22,298	22,648	526,226	281,562
Postage	420		420	938	138	1,076	1,496	3,521
Printing	2,829		2,829	3,016		3,016	5,846	23,764
Professional services	3,000		3,000	39,200		39,200	42,200	40,060
Program materials	3,656	400,013	403,669				403,669	48,668
Supplies		1,755	1,755	2,143		2,143	3,898	1,956
Telephone & internet	5,034		5,034	592	296	888	5,922	2,595
Travel	10,274	27,715	37,989	981	2,600	3,581	41,570	15,510
Total before depreciation	719,790	713,746	1,433,536	167,497	147,575	315,072	1,748,608	1,604,452
Depreciation	16,352		16,352	3,289	2,287	5,576	21,928	18,840
Total Expenses	\$736,142	\$713,746	\$1,449,888	\$170,786	\$149,862	\$320,648	\$1,770,536	\$1,623,292

The accompanying notes are an integral part of this financial statement.

ZERO1: The Art Technology Network
Statement of Cash Flows
For the Year Ended June 30, 2012

	<u>Total 2012</u>	<u>Summarized 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$37,739	(\$494,606)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Accrued interest on short term loan	5,750	
Depreciation expense	21,928	18,840
(Increase) decrease in operating assets		
Grants and donations receivable	345,228	(189,371)
Pledges receivable		24,140
Prepaid expenses	(200,181)	207,797
Deposits	(15,557)	(138)
Increase (decrease) in operating liabilities		
Accounts payable	77,902	7,910
Accrued compensation	16,254	2,680
Accrued expenses	221,838	
Deferred rent	133,408	
Deferred revenue		(1,350)
Grants restricted for long term use	60,000	(60,000)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>704,309</u>	<u>(484,098)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets, net of disposals	<u>(283,327)</u>	<u>2</u>
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	<u>(283,327)</u>	<u>2</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term loan obtained	<u>150,000</u>	<u>50,000</u>
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	<u>150,000</u>	<u>50,000</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>570,982</u>	<u>(434,096)</u>
CASH AND CASH EQUIVALENTS, beginning of the year	<u>72,911</u>	<u>507,007</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$643,893</u>	<u>\$72,911</u>
Supplemental Informaton:		
Payments for interest expense	\$6,573	\$413

The accompanying notes are an integral part of this financial statement.

ZERO1: The Art & Technology Network
Notes to Financial Statements
June 30, 2012

NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

ZERO1: The Art & Technology Network (ZERO1) 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 the ZERO1 Biennial, an international showcase of work at the nexus of art and technology. ZERO1 is also the force behind the ZERO1 Garage, where principles of artistic creativity are applied to real world innovation challenges. Part incubator, part research lab, part think tank, the ZERO1 Garage forms strategies for research, development, and creativity.

Programs

ZERO1 is a Silicon Valley based arts nonprofit; our core programs include, historically, the ZERO1 Biennial; and now, the newly launched ZERO1 Garage.

Working with some of the most fertile and creative minds from the arts, science, technology, design, and architecture, ZERO1 produces the ZERO1 Biennial, an international showcase of works at the nexus of art and technology. Through public art installations, exhibitions, performances and symposiums; the ZERO1 Biennial features cutting edge and provocative works from a both a regional and global community of artists to this region.

Complementing the Biennial, ZERO1 has launched the ZERO1 Garage- the next phase in the organization's evolution. The ZERO1 Garage is where the principles of artistic creativity will be applied to real world innovation challenges; developed and supported in partnership with tech companies, cultural organizations and academic research centers. Part research lab, part exhibitions center, the ZERO1 Garage, both a physical space and a conceptual platform, is envisioned as a launch pad for risk-takers from the arts and culture, corporate, science, technology, and academic sectors to interact, engage, and spur innovative change.

The Bay Lights is a unique one-time public art display, an iconic light sculpture located on the western span of the San Francisco Bay Bridge. The installation is expect the project to be on display for two years beginning mid March 2013. ZERO1 is the Fiscal Sponsor for Illuminate the Arts, organizing and producing organization - while it is obtaining its 501c3 status from the Internal Revenue Service.

Significant Accounting Policies

Financial Statement Presentation

The Organization prepares its financial statements on the accrual basis of accounting in accordance with Accounting Standards for Not-for-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.

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 banks and other financial institutions.

ZERO1: The Art & Technology Network
Notes to Financial Statements
June 30, 2012

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 considered a publicly supported organization. The Financial Accounting Standards Boards (FASB) interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, subsequently included in the FASB codification as ASC 740 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 does not believe any material uncertain tax positions exist.

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.

Contributions

The Organization accounts for contributions received and contributions made in accordance with Accounting Standards for Not-for-profit Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and, or nature of any donor restrictions. Restricted contributions 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 donations are recorded 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.

Property, Equipment and Depreciation

Property and equipment is 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 at least \$500. Depreciation is computed using the straight-line method over the assets 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.

Deferred Rent

Deferred rent represents the difference between actual rent payments paid and the accumulated average rental cost, recognized on a straight line basis over the lease term.

Accrued Expenses

Accrued expenses represent amounts payable under agreements associated with the Bay Lights Project.

Revenue Recognition

The Organization recognizes revenue on the accrual basis of accounting. Program fees are recognized as revenue in the period in which the service is provided. Grants, awards and donations are recognized as revenue in the period in which they are awarded. Restricted grants, awards and donations are recorded as an increase in restricted revenue and are reclassified to unrestricted revenue as conditions are met. The Organization's primary revenue sources are grants and awards from local governments, foundations and corporations and donations from individuals and corporations.

ZERO1: The Art & Technology Network
Notes to Financial Statements
June 30, 2012

Allowance for Doubtful Accounts

The Organization does not maintain an allowance on grants and awards receivable as reimbursements from these funding sources are likely to be received. Balances still outstanding after management has used reasonable collection efforts are written off to bad debts. For the year ended June 30, 2012 a valuation allowance was not considered necessary.

Indirect Expense Allocations

The costs of operating the Organization's program and supporting services have been summarized on a functional basis 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 to program and supporting services based square footage of the space in relation to the total square footage of the facility.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

NOTE B – GRANTS RECEIVABLE

At June 30, 2012 grants receivable are current; unrestricted \$28,085, and restricted \$162,433.

NOTE C – PROPERTY AND EQUIPMENT

At June 30, 2012 property and equipment and related accumulated depreciation is as follows:

Computer Equipment	\$1,511
Software	\$15,653
Festival Equipment	\$51,609
Furniture	\$20,197
Website Design	\$18,989
Leasehold Improvements	<u>\$288,947</u>
Subtotal	<u>\$396,906</u>
Accumulated Depreciation	<u>(\$89,119)</u>
Net Book Value	<u><u>\$307,787</u></u>

Depreciation expense for the year ending June 30, 2012 is \$21,928.

NOTE D – SHORT TERM LOAN

The Organization holds the following short term obligations:

<u>Lender</u>	<u>Interest</u>	<u>Date Due</u>	<u>Security Provided</u>	<u>Balance</u>
Charmaine & Dan Warmenhoven	6.00%	7/18/2012	Unsecured	\$105,750
Focus Business Bank	5.50%	12/21/2012	Organization assets	<u>\$100,000</u>
				<u><u>\$205,750</u></u>

ZERO1: The Art & Technology Network
Notes to Financial Statements
June 30, 2012

NOTE E - CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. 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 the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

NOTE F - OPERATING LEASES

The Organization leases office space in San Jose on Third Street, under a non-cancelable agreement that expires in December 2012. Future minimum payments due are \$21,438 for the year ending June 30, 2013.

On October 27, 2011 management signed a ten year non-cancelable facility lease agreement for 10,000 square feet of space located on First Street in San Jose, beginning November 1, 2011. No rental payments are required for the first nine months under this lease agreement to allow for facility upgrades and renovations. Annual rental increases are based on annual increases in the Consumer Price Index for the San Francisco, Oakland, San Jose area, and are adjusted in August each year, subject to the current rental payment never being less than the prior month's rental payment.

Deferred rent represents the difference between actual rent payments paid on the facility lease agreement and rent expense, which is recognized on a straight line basis over the lease term. For the year ended June 30, 2012 deferred rent is \$133,408 and rent expense is \$133,408. Future principle payments due under this facility lease agreement are as follows:

Year ending, June 30, 2013	\$182,161
Year ending, June 30, 2014	\$202,817
Year ending, June 30, 2015	\$206,873
Year ending, June 30, 2016	\$211,011
Year ending, June 30, 2017	\$215,231
Thereafter, thru October 31, 2021	\$983,009

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012 the Organization's temporarily restricted net asset activity consisted of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Arts Activities		\$50,402	\$50,402	
Bay Lights		\$244,489	\$244,489	
Festival Artists		\$150,000	\$72,750	\$77,250
Biennial Festival		\$584,290	\$242,202	\$342,088
Fellowship		\$84,500		\$84,500
Youth Leadership Incubator	\$25,000		\$8,500	\$16,500
Time Restricted	\$270,000	\$221,000	\$267,419	\$223,581
Total	<u>\$295,000</u>	<u>\$1,334,681</u>	<u>\$885,762</u>	<u>\$743,919</u>

ZERO1: The Art & Technology Network
Notes to Financial Statements
June 30, 2012

NOTE H – FISCAL SPONSORSHIP

The Organization has signed an agreement with Illuminate The Arts to act as its fiscal sponsor while it is obtaining its 501(3) status from the Internal Revenue Service. The Organization has a similar mission to ZERO1 in that it creates public art, namely the Bay Bridge Light Project. The financial activities, included in these financial statements, relating to Illuminate The Arts' Bay Bridge Light Project, is as follows:

Cash	\$145,909
Prepaid Expenses	\$6,485
Accrued Expenses	<u>(\$221,838)</u>
Net Assets	<u><u>(\$69,444)</u></u>
Contributions	\$244,489
In-kind Donations	<u>\$399,813</u>
Total Support	\$644,302
Expenses	<u>(\$713,746)</u>
Net Assets	<u><u>(\$69,444)</u></u>

NOTE I - CONTRIBUTIONS IN-KIND

For the year ended June 30, 2012 the Organization recognized the following in-kind donations:

Bay Bridge Lights	\$399,813
Architect Fees	<u>\$5,000</u>
Total	<u><u>\$404,813</u></u>

NOTE J – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and concentrations in receivable and revenue sources.

The Organization maintains a majority of their cash in bank deposit accounts that, at times, may exceed federally insured limits of \$250,000. The organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk related to cash. At June 30, 2012, the Organization's uninsured cash balance is \$607,466. Management believes the organization is not exposed to any significant credit risk related to investments.

For the year ended June 30, 2012 approximately 46% of the contracts awarded to the Organization are from the Nonprofit Finance Fund and approximately 37% of the grants receivable at June 30, 2012 are from Adobe Foundation and 31% are from Hewlett Packard Foundation. The ability of certain of the Organization's grants and awards to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While the Board of Directors believes the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does continue, may be dependent on the above factors.

ZERO1: The Art & Technology Network
Notes to Financial Statements
June 30, 2012

NOTE K – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end, June 30, 2012, through February 4, 2013, 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, except as follows:

On January 28, 2013 management received notification that their unsecured promissory note of \$100,000 payable to Charmaine and Dan Warmenhoven at 6% simple interest, will be forgiven. This will result in the Organization recognizing a donation for debt forgiveness in the year ended June 30, 2013.

NOTE L – COMMITMENTS

At June 30, 2012 the Organization had the following commitments: For the Bay Bridge Project: Bleyco Construction \$5,274,000 light installation, Parsons Brinkerhoff \$174,000 design and support services and Zoon Engineering \$130,000 construction management. None of these commitments have been accrued at June 30, 2012 as the work had yet to commence. For the renovations and build out of the new facility: Hansen Construction \$352,654. Approximately \$67,082 has been accrued as of June 30, 2012 for work completed.

ZERO1: The Art Technology Network
Actual Activities and Budget Comparison
For the Year Ended June 30, 2012

	Actual 2012	Actual 2011	Bduget 2012	Combined Total
SUPPORT AND REVENUE				
Contributons	\$265,208	\$69,143	\$248,000	\$582,351
Grants & awards	1,087,692	987,600	1,185,000	3,260,292
In-kind donations	404,813	48,690		453,503
Special events, net		20,237	2,000	22,237
Interest income	2,197	16		2,213
Art exhibit fees	32,500	3,000		35,500
Fiscal sponsorship fees	15,597			15,597
Miscellaneous income	268			
Total Support and Revenue	<u>1,808,275</u>	<u>1,128,686</u>	<u>1,435,000</u>	<u>4,371,693</u>
EXPENSES				
Program services				
Art activities	736,142	1,328,327	991,779	3,056,248
Bay lights project	713,746			
Supporting services				
Management and general	170,786	171,859	269,757	612,402
Fund-raising	149,862	123,106	171,060	444,028
Total Expenses	<u>1,770,536</u>	<u>1,623,292</u>	<u>1,432,596</u>	<u>4,112,678</u>
INCREASE / (DECREASE) IN NET ASSETS	<u>\$37,739</u>	<u>(\$494,606)</u>	<u>\$2,404</u>	<u>\$259,015</u>

ZERO1: The Art & Technology Network
Notes to Schedule of Activities and Budget Comparison
June 30, 2012

The ZERO1: The Art & Technology Network Schedule of Activities and Budget Comparison can be interpreted by understanding of the role and function of the Organization as the directorial agency for the San Jose Biennial and the two year planning / implementation cycle.

The Organization coordinates with multiple cultural organizations regionally, nationally and internationally (21 organizations for the 2010 Biennial) to put on the San Jose Biennial. The planning process is layered and complex involving partnerships that together impact the final curatorial, marketing and development functions of the Organization. Unlike a traditional visual arts media presentation, of other arts organizations, the function of San Jose Biennial is a catalyst of collaborations that requires more resources operationally to support the functions of this event.

The San Jose Biennial requires that the off-year expenditures favor general operations whereby salaries are focused on strategic planning, development and marketing, while the on-year expenditures evidence a substantial increase in artistic commissions, curatorial, marketing and production costs. The curatorial model, thematic, marketing strategy and major exhibition platforms must be clarified a minimum of one year out from the San Jose Biennial in order to secure artists, sponsors and funding. Because of the cyclical nature of strategic planning and implementation of the San Jose Biennial there is a pattern of expenses that reflects the heavier off-year operations and on-year program activities. Further complicating the San Jose Biennial cycle is the influence of the September event date. This places the event three months into the fiscal year. Commissioning the necessary production contracts, staffing and marketing services begin in the fiscal year prior to the year the event takes place. This pattern requires advanced planning of securing sponsorships and funding. As such, support and revenue increases substantially during the on-year of the San Jose Biennial. The Organization fully expects that the next several cycles of the San Jose Biennial will continue to evidence these trends.