

FINANCIAL STATEMENTS



FOR THE YEAR ENDED JUNE 30, 2016

dZi FOUNDATION

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
dZi Foundation
Ridgway, Colorado

We have audited the accompanying financial statements of the dZi Foundation (dZi), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of dZi as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

November 7, 2016

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

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dZi FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,782,590
Contributions and grants receivable, net of allowance of \$20,000	104,500
Prepaid expenses and other assets	<u>566</u>
Total current assets	<u>1,887,656</u>

FIXED ASSETS

Equipment	17,412
Software	4,239
Vehicle	<u>27,505</u>
	49,156
Less: Accumulated depreciation and amortization	<u>(12,808)</u>
Net fixed assets	<u>36,348</u>

NONCURRENT ASSETS

Contributions and grants receivable, net of current portion	<u>103,267</u>
TOTAL ASSETS	<u>\$ 2,027,271</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>27,165</u>
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NET ASSETS

Unrestricted:	
Undesignated	1,317,854
Board designated - funds in reserve	<u>162,000</u>
Total unrestricted	1,479,854
Temporarily restricted	<u>520,252</u>
Total net assets	<u>2,000,106</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,027,271</u>

dZi FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 583,202	\$ 733,161	\$ 1,316,363
Investment income	678	-	678
In-kind contributions	219,187	-	219,187
Special events, net of expenses of \$69,336	60,747	40,000	100,747
Net assets released from donor restrictions	<u>845,277</u>	<u>(845,277)</u>	<u>-</u>
Total support and revenue	<u>1,709,091</u>	<u>(72,116)</u>	<u>1,636,975</u>
EXPENSES			
Program Services	<u>1,180,980</u>	<u>-</u>	<u>1,180,980</u>
Supporting Services:			
Management and General	124,005	-	124,005
Fundraising	<u>165,361</u>	<u>-</u>	<u>165,361</u>
Total expenses	<u>1,470,346</u>	<u>-</u>	<u>1,470,346</u>
Changes in net assets	238,745	(72,116)	166,629
Net assets at beginning of year	<u>1,241,109</u>	<u>592,368</u>	<u>1,833,477</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,479,854</u>	<u>\$ 520,252</u>	<u>\$ 2,000,106</u>

dZi FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and payroll taxes	\$ 151,744	\$ 75,872	\$ 75,872	\$ 303,488
Benefits	20,865	5,033	5,033	30,931
Office supplies and operating costs	17,716	5,293	5,293	28,302
Occupancy costs	9,920	3,188	3,188	16,296
Travel	28,170	-	16,118	44,288
Meetings	10,833	691	691	12,215
Technical support	1,064	1,484	495	3,043
Professional fees	477	16,906	-	17,383
Fundraising consultant	-	-	42,973	42,973
Board meetings	651	631	631	1,913
Office equipment and software	5,131	1,359	1,358	7,848
Professional development	1,440	1,189	1,189	3,818
Insurance	7,555	785	785	9,125
Depreciation and amortization	-	6,147	-	6,147
Bank and credit card fees	4,033	3,455	3,455	10,943
Printing and reproduction	17,827	-	5,568	23,395
Postage and delivery	3,491	1,746	1,746	6,983
Dues and subscriptions	767	226	226	1,219
Promotion	30,000	-	-	30,000
Donated professional fees	360	-	740	1,100
Donated skilled labor and materials	218,087	-	-	218,087
Local salaries and related benefits	137,915	-	-	137,915
Community infrastructure projects	386,687	-	-	386,687
Community trainings	4,028	-	-	4,028
Agricultural materials and trainings	87,269	-	-	87,269
Homes for at-risk girls	34,950	-	-	34,950
TOTAL	\$ 1,180,980	\$ 124,005	\$ 165,361	\$ 1,470,346
	80%	9%	11%	100%

dZi FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 166,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,147
Decrease (increase) in:	
Contributions and grants receivable	(40,384)
Prepaid expenses and other assets	66,562
Increase in:	
Accounts payable and accrued liabilities	<u>2,991</u>
Net cash provided by operating activities	<u>201,945</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of vehicle and equipment	<u>(31,971)</u>
Net cash used by investing activities	<u>(31,971)</u>
Net increase in cash and cash equivalents	169,974
Cash and cash equivalents at beginning of year	<u>1,612,616</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,782,590</u>

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The dZi Foundation is a Colorado non-profit corporation formed to help increase the prosperity of underserved communities and individuals in remote regions of Nepal through implementing a variety of integrated community development projects. The projects target a cluster of extremely remote communities in Eastern Nepal and employ a long-term approach that emphasizes community participation and skill development; these projects are mainly generated by the communities themselves and cross many sectors including education, civic infrastructure, water and sanitation, and agricultural improvements.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

dZi considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times, dZi maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

dZi had \$35,578 of cash and cash equivalents on hand and in financial institutions (in Nepal) as of June 30, 2016; funds held in Nepal are uninsured.

Contributions and grants receivable -

Contributions and grants receivable represent uncollected amounts due from donors, in accordance with commitments made to dZi as of the Statement of Financial Position date. Contributions and grants receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Fixed assets -

Fixed assets in excess of \$2,000 are capitalized and stated at cost. Fixed assets are depreciated and amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

dZi is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. dZi is not a private foundation.

Uncertain tax positions -

As of June 30, 2016, dZi has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the accompanying financial statements.

dZi FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of dZi and include both internally designated and undesignated resources. As of June 30, 2016, the Board of Directors has set aside an operating reserve aggregating \$162,000 to be utilized in the future at their discretion.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of dZi and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable reflect commitments made to dZi by individuals and foundations. As of June 30, 2016, dZi had received commitments for support of which \$227,767 had not been received. Following is a summary of contributions and grants receivable as of June 30, 2016:

Less than one year	\$ 124,500
One to five years	<u>103,267</u>
	227,767
Less: Allowance for doubtful amounts (current)	<u>(20,000)</u>
TOTAL	<u>\$ 207,767</u>

dZi FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2016:

Nepal projects	\$ 307,885
Girls Homes	4,600
Time restricted	<u>207,767</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>520,252</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Nepal projects	\$ 530,960
Girls Homes	34,950
Trois Etapes event	130,500
Special event	40,000
Passage of time	<u>108,867</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>845,277</u>

4. IN-KIND CONTRIBUTIONS

In-kind contributions are recorded at fair value as of the date of the gift. During the year ended June 30, 2016, dZi was the beneficiary of donated goods and services which allowed dZi to provide greater resources toward its various programs.

Nepal community project work, also referred to as "Local contribution," is defined as the total monetary value of all volunteered labor and materials that community members directly invest in dZi projects. The value of a day's labor, as well as that of all local materials, is valued by community members at current going rates in that community at the time of the project. dZi field staff quantify, track and verify these values for each individual project.

dZi also receives contributions from other sources for which the value cannot reasonably be determined. Accordingly, the value of those contributions has not been recorded in the accompanying financial statements.

The following donations have been included in contributions revenue and expense during the year ended June 30, 2016:

Nepal community project work	\$ 218,087
Graphic design services	650
Other	<u>450</u>
TOTAL IN-KIND CONTRIBUTIONS	\$ <u>219,187</u>

5. RETIREMENT PLANS

dZi provides retirement benefits to its U.S. employees through a defined contribution plan, which started during 2011. This policy applies to all U.S.-based, salaried employees who meet the IRS minimum compensation requirements. dZi contributes 3% percent of gross wages. Contributions to the plan during the year ended June 30, 2016 totaled \$6,930.

dZi FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. RETIREMENT PLANS (Continued)

Employees who are classified as full time, permanent Nepal employees are covered by a government-sponsored retirement plan. Mandatory employee contributions are automatically deducted at the rate of 10% of their salary and placed into a trust established by the Nepal government. The government requires dZi to match the employees's contribution and place them in the aforementioned trust. Contributions to the plan during the year ended June 30, 2016 totaled \$2,000.

6. LEASE COMMITMENTS

dZi rents its principal office space in Ridgway, Colorado under a three-year operating lease agreement which is currently set to expire on March 31, 2017. Base rent is \$700 per month, plus a proportionate share of allocated tenant costs totaling \$105 per month. On November 1, 2014, dZi entered into a lease agreement for its principal office in Nepal requiring a monthly payment of NR 50,000 (approximately \$495), increased 10% annually, until its expiration date on May 30, 2018.

Following is a schedule of future minimum lease payments required under the operating lease agreements:

Year Ending June 30,

2017	\$	13,761
2018		<u>6,570</u>
	\$	<u>20,331</u>

Occupancy expense (for all office spaces) during the year ended June 30, 2016 totaled \$16,296.

7. SUBSEQUENT EVENTS

In preparing these financial statements, dZi has evaluated events and transactions for potential recognition or disclosure through November 7, 2016, the date the financial statements were issued.