

FINANCIAL STATEMENTS



FOR THE YEAR ENDED JUNE 30, 2017

dZi FOUNDATION

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
dZi Foundation
Ridgway, Colorado

We have reviewed the accompanying financial statements of dZi Foundation (dZi), which comprise the statement of financial position as of June 30, 2017, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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 the basis of accounting, dZi uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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 the basis of accounting the dZi uses for income tax purposes. 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 on the income tax basis of accounting.

Gelman Rosenberg & Freedman

February 6, 2018

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dZi FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,453,965
Contributions and grants receivable, net of allowance of \$20,000	142,300
Prepaid expenses and other assets	<u>1,635</u>
Total current assets	<u>1,597,900</u>

FIXED ASSETS

Equipment	61,757
Software	3,179
Vehicle	27,505
Leasehold improvements	<u>1,177</u>
	93,618
Less: Accumulated depreciation and amortization	<u>(49,975)</u>
Net fixed assets	<u>43,643</u>

TOTAL ASSETS \$ 1,641,543

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>6,168</u>
Total liabilities	<u>6,168</u>

NET ASSETS

Unrestricted:	
Undesignated	1,148,488
Board designated - funds in reserve	<u>162,000</u>
Total unrestricted	1,310,488
Temporarily restricted	<u>324,887</u>
Total net assets	<u>1,635,375</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,641,543

dZi FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 424,624	\$ 500,023	\$ 924,647
Investment income	1,435	-	1,435
In-kind contributions	112,556	-	112,556
Special events, net of expenses of \$8,599	10,713	35,000	45,713
Net assets released from donor restrictions	<u>730,388</u>	<u>(730,388)</u>	<u>-</u>
Total support and revenue	<u>1,279,716</u>	<u>(195,365)</u>	<u>1,084,351</u>
EXPENSES			
Program Services	<u>1,160,625</u>	<u>-</u>	<u>1,160,625</u>
Supporting Services:			
Management and General	151,144	-	151,144
Fundraising	<u>137,313</u>	<u>-</u>	<u>137,313</u>
Total supporting services	<u>288,457</u>	<u>-</u>	<u>288,457</u>
Total expenses	<u>1,449,082</u>	<u>-</u>	<u>1,449,082</u>
Changes in net assets	(169,366)	(195,365)	(364,731)
Net assets at beginning of year	<u>1,479,854</u>	<u>520,252</u>	<u>2,000,106</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,310,488</u>	<u>\$ 324,887</u>	<u>\$ 1,635,375</u>

dZi FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and payroll taxes	\$ 146,555	\$ 73,278	\$ 73,278	\$ 293,111
Benefits	28,417	7,402	7,402	43,221
Office supplies and operating costs	12,709	2,837	2,837	18,383
Occupancy costs	10,225	2,950	2,950	16,125
Travel	21,163	-	9,413	30,576
Meetings	11,150	610	610	12,370
Technical support	741	663	221	1,625
Professional fees	941	16,590	-	17,531
Fundraising consultant	-	-	3,000	3,000
Board meetings	1,887	1,832	1,832	5,551
Office equipment and software	7,330	1,544	1,544	10,418
Professional development	4,773	1,328	1,328	7,429
Insurance	4,701	915	915	6,531
Depreciation and amortization	-	26,335	-	26,335
Bank and credit card fees	2,509	1,972	4,389	8,870
Printing and reproduction	9,724	-	2,431	12,155
Postage and delivery	3,733	1,867	1,867	7,467
Media production	12,507	-	11,616	24,123
Dues and subscriptions	659	166	166	991
Promotion and support	43,390	10,855	10,855	65,100
Donated professional fees	1,495	-	659	2,154
Donated skilled labor and materials	110,402	-	-	110,402
Local salaries and related benefits	170,267	-	-	170,267
Community infrastructure projects	555,347	-	-	555,347
TOTAL	\$ 1,160,625	\$ 151,144	\$ 137,313	\$ 1,449,082
	80%	11%	9%	100%

dZi FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (364,731)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	26,335
Decrease (increase) in:	
Contributions and grants receivable	65,467
Prepaid expenses and other assets	(1,069)
Increase in:	
Accounts payable and accrued liabilities	<u>(20,997)</u>
Net cash used by operating activities	<u>(294,995)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed assets purchases	<u>(33,630)</u>
Net cash used by investing activities	<u>(33,630)</u>
Net decrease in cash and cash equivalents	(328,625)
Cash and cash equivalents at beginning of year	<u>1,782,590</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,453,965</u>

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 \$71,391 of cash and cash equivalents on hand and in financial institutions (in Nepal) as of June 30, 2017; 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, 2017, 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, 2017

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, 2017, 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. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017:

Nepal projects	\$ 133,987
Girls Homes	6,500
Time restricted	<u>184,400</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 324,887</u>

dZi FOUNDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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	\$ 603,221
Girls Homes	5,600
Passage of time	<u>121,567</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 730,388</u>

3. IN-KIND CONTRIBUTIONS

In-kind contributions are recorded at fair value as of the date of the gift. During the year ended June 30, 2017, 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, 2017:

Nepal community project work	\$ 110,402
Other	<u>2,154</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 112,556</u>

4. RETIREMENT PLANS

dZi provides retirement benefits to its full-time 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, 2017 totaled \$6,809.

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, 2017 totaled \$2,000.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

5. 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 April 30, 2020. Base rent is \$700 per month (plus an proportionate share of allocated tenant costs that escalates each lease year). 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,	
2018	\$ 10,926
2019	11,676
2020	<u>9,730</u>
	<u><u>\$ 32,332</u></u>

Occupancy expense (for all office spaces) during the year ended June 30, 2017 totaled \$17,014.

6. SUBSEQUENT EVENTS

In preparing these financial statements, dZi has evaluated events and transactions for potential recognition or disclosure through February 6, 2018, the date the financial statements were issued.