

FINANCIAL STATEMENTS



DZI FOUNDATION

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

dZi FOUNDATION

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CPAs & ADVISORS

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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

January 23, 2021

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dZi FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,619,457	\$ 385,143
Investments	-	1,173,040
Contributions and grants receivable, net of allowance of \$25,000 in 2020 and \$25,000 in 2019	115,618	194,040
Prepaid expenses and other assets	<u>1,060</u>	<u>9,093</u>
Total current assets	<u>1,736,135</u>	<u>1,761,316</u>
FIXED ASSETS		
Equipment	14,771	14,771
Vehicles	<u>61,135</u>	<u>61,135</u>
	75,906	75,906
Less: Accumulated depreciation and amortization	<u>(75,013)</u>	<u>(74,120)</u>
Net fixed assets	<u>893</u>	<u>1,786</u>
NONCURRENT ASSETS		
Contributions and grants receivable, net of current portion and net present value discount of \$5,006 in 2020 and \$4,326 in 2019	<u>62,444</u>	<u>86,552</u>
TOTAL ASSETS	<u>\$ 1,799,472</u>	<u>\$ 1,849,654</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loans payable	\$ 68,500	\$ -
Accounts payable and accrued liabilities	<u>91,797</u>	<u>64,260</u>
Total current liabilities	<u>160,297</u>	<u>64,260</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	862,430	1,002,860
Board designated - funds in reserve	<u>162,000</u>	<u>162,000</u>
Total without donor restrictions	1,024,430	1,164,860
With donor restrictions	<u>614,745</u>	<u>620,534</u>
Total net assets	<u>1,639,175</u>	<u>1,785,394</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,799,472</u>	<u>\$ 1,849,654</u>

See accompanying notes to financial statements.

dZi FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2018

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 580,153	\$ 744,112	\$ 1,324,265
Investment income	13,728	-	13,728
In-kind contributions	97,611	-	97,611
Net assets released from donor restrictions	<u>749,901</u>	<u>(749,901)</u>	<u>-</u>
Total support and revenue	<u>1,441,393</u>	<u>(5,789)</u>	<u>1,435,604</u>
EXPENSES			
Program Services	<u>1,225,562</u>	<u>-</u>	<u>1,225,562</u>
Supporting Services:			
Management and General	122,852	-	122,852
Fundraising	<u>233,409</u>	<u>-</u>	<u>233,409</u>
Total supporting services	<u>356,261</u>	<u>-</u>	<u>356,261</u>
Total expenses	<u>1,581,823</u>	<u>-</u>	<u>1,581,823</u>
Changes in net assets	(140,430)	(5,789)	(146,219)
Net assets at beginning of year	<u>1,164,860</u>	<u>620,534</u>	<u>1,785,394</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,024,430</u>	<u>\$ 614,745</u>	<u>\$ 1,639,175</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 582,276	\$ 764,193	\$ 1,346,469
25,466	-	25,466
83,484	-	83,484
<u>559,209</u>	<u>(559,209)</u>	<u>-</u>
<u>1,250,435</u>	<u>204,984</u>	<u>1,455,419</u>
<u>1,054,578</u>	<u>-</u>	<u>1,054,578</u>
213,116	-	213,116
<u>193,203</u>	<u>-</u>	<u>193,203</u>
<u>406,319</u>	<u>-</u>	<u>406,319</u>
<u>1,460,897</u>	<u>-</u>	<u>1,460,897</u>
(210,462)	204,984	(5,478)
<u>1,375,322</u>	<u>415,550</u>	<u>1,790,872</u>
<u>\$ 1,164,860</u>	<u>\$ 620,534</u>	<u>\$ 1,785,394</u>

dZi FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and payroll taxes	\$ 132,812	\$ 35,243	\$ 175,200	\$ 343,255
Benefits	25,253	2,721	13,525	41,499
Office supplies and operating costs	11,152	2,645	2,645	16,442
Occupancy costs	14,889	4,493	4,493	23,875
Travel	29,700	-	7,290	36,990
Meetings	11,950	514	514	12,978
Technical support	50,224	1,722	6,668	58,614
Professional fees	1,099	23,514	-	24,613
Fundraising consultant	-	-	-	-
Board meetings	1,303	1,265	1,265	3,833
Office equipment and software	8,356	2,982	2,982	14,320
Professional development	6,749	5,520	5,520	17,789
Insurance	10,400	1,813	1,813	14,026
Depreciation and amortization	-	893	-	893
Bank and credit card fees	1,850	1,565	1,565	4,980
Postage and delivery	776	388	388	1,552
Media production	42,805	1,880	8,381	53,066
Dues and subscriptions	490	26	26	542
Promotion and support	5,000	-	-	5,000
Donated skilled labor and materials	97,611	-	-	97,611
Local salaries and related benefits	221,591	-	-	221,591
Community infrastructure projects	536,692	-	-	536,692
Events and marketing	283	-	1,134	1,417
Homes for at-risk girls	14,577	-	-	14,577
Bad debt expense	-	35,600	-	35,600
Other	-	68	-	68
TOTAL	\$ 1,225,562	\$ 122,852	\$ 233,409	\$ 1,581,823
	77%	8%	15%	100%

dZi FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and payroll taxes	\$ 45,875	\$ 112,452	\$ 122,936	\$ 281,263
Benefits	7,289	17,867	19,532	44,688
Office supplies and operating costs	33,803	1,937	2,046	37,786
Occupancy costs	11,502	4,152	5,602	21,256
Travel	35,760	-	7,893	43,653
Meetings	17,639	733	733	19,105
Technical support	1,827	648	648	3,123
Professional fees	3,966	22,670	-	26,636
Fundraising consultant	-	-	10,500	10,500
Board meetings	1,246	1,210	1,210	3,666
Office equipment and software	9,243	3,035	2,063	14,341
Professional development	4,125	1,441	1,441	7,007
Insurance	3,065	1,287	1,287	5,639
Depreciation and amortization	-	19,744	-	19,744
Bank and credit card fees	2,773	1,127	1,127	5,027
Postage and delivery	4,024	537	805	5,366
Media production	25,324	3,246	4,870	33,440
Dues and subscriptions	732	169	169	1,070
Promotion and support	20,000	-	-	20,000
Donated skilled labor and materials	82,884	-	600	83,484
Local salaries and related benefits	212,671	-	-	212,671
Community infrastructure projects	486,905	-	-	486,905
Events and marketing	21,043	2,612	9,741	33,396
Homes for at-risk girls	15,077	-	-	15,077
Bad debt expense	-	18,249	-	18,249
Other	7,805	-	-	7,805
TOTAL	\$ 1,054,578	\$ 213,116	\$ 193,203	\$ 1,460,897
	72%	15%	13%	100%

dZi FOUNDATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (146,219)	\$ (5,478)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	893	19,744
Realized and unrealized losses (gains) on investments	8,073	(5,625)
Receipt of contributed securities	-	(60,293)
Proceeds from sale of contributed securities	-	60,502
Gain on sale of contributed securities	-	(209)
Bad debt expense	35,600	13,249
Change in allowance for uncollectible pledges	-	5,000
Decrease (increase) in:		
Contributions and grants receivable	66,930	181,052
Prepaid expenses and other assets	8,033	(5,854)
Increase in:		
Accounts payable and accrued liabilities	<u>27,537</u>	<u>19,285</u>
Net cash provided by operating activities	<u>847</u>	<u>221,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,700)	(1,667,970)
Proceeds from sale of investments	<u>1,168,667</u>	<u>1,534,000</u>
Net cash provided (used) by investing activities	<u>1,164,967</u>	<u>(133,970)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan payable	64,500	-
Proceeds from EIDL loan payable	<u>4,000</u>	<u>-</u>
Net cash provided by financing activities	<u>68,500</u>	<u>-</u>
Net increase in cash and cash equivalents	1,234,314	87,403
Cash and cash equivalents at beginning of year	<u>385,143</u>	<u>297,740</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,619,457</u>	<u>\$ 385,143</u>

dZi FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The dZi Foundation (dZi) 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During 2019, dZi early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way dZi recognized revenue; however, the presentation and disclosures of revenue have been enhanced. dZi has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, dZi adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. dZi adopted the ASU using a modified prospective basis.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

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 \$95,438 and \$176,638 of cash and cash equivalents on hand and in financial institutions (in Nepal) as of June 30, 2020 and 2019, respectively; 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 -

During the years ended June 30, 2020 and 2019, 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.

Contributions and grants -

The majority of dZi's revenue is received through contributions and grants from foundations, organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. dZi performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional awards are not recognized until the conditions on which they depend are substantially met.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Contributions and grants (continued) -

Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a "barrier" and a right of return or right of release from obligation (and the entity has limited discretion over how funds transferred should be spent). Conditional awards are not recognized until the conditions on which they depend are substantially met; revenue is recognized when the condition or conditions are satisfied. During the years ended June 30, 2020 and 2019, dZi did not receive assistance from donors under conditional awards.

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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of dZi are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

dZi invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

dZi adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. dZi accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

dZi plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact dZi's operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

Investments consisted of the following at June 30, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ -	\$ -	\$ 150,000	\$ 150,179
U.S. Treasury bills	-	-	1,014,967	1,022,861
TOTAL INVESTMENTS	\$ -	\$ -	\$ 1,164,967	\$ 1,173,040

Included in investment income are the following at June 30, 2020:

	2020	2019
Interest	\$ 5,655	\$ 19,841
Realized and unrealized gain on investments	8,073	5,625
TOTAL INVESTMENT INCOME	\$ 13,728	\$ 25,466

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable reflect commitments made to dZi by individuals and other donors; as of June 30, 2020 and 2019, dZi had received commitments for support from donors in which \$208,068 and \$309,918, respectively, had not been received.

Payments expected to be collected more than one year from the Statement of Financial Position date are recorded at their net present value of the estimated cash flows, using a discount rate of 3.25%.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

3. CONTRIBUTIONS AND GRANTS RECEIVABLE (Continued)

Following is a summary of contributions and grants receivable as of June 30, 2020 and 2019:

	2020	2019
Less than one year	\$ 140,618	\$ 219,040
One to five years	67,450	90,878
	208,068	309,918
Less: Allowance for doubtful amounts (current)	(25,000)	(25,000)
Less: Current portion	(115,618)	(194,040)
Less: Present value discount (3.25%)	(5,006)	(4,326)
TOTAL NONCURRENT PORTION, NET	\$ 62,444	\$ 86,552

4. LOANS PAYABLE

On April 8, 2020, dZi received loan proceeds in the amount of \$64,500 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the 24-month term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. dZi used the loan proceeds for purposes consistent with the Paycheck Protection Program, and as of November 28, 2020, the total due under the PPP loan was forgiven.

On April 24, 2020, dZi received an advance in the amount of \$4,000 under the COVID-19 Economic Injury Disaster Loan (EIDL) program. The agreement requires repayments of principal and interest over a 30-year term, with a deferral of payments for the first year. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the total advanced may have been forgiven by the Small Business Administration in whole or in part. dZi intended to use the proceeds for purposes consistent with the EIDL Program and believed that its use of the advance would have met the conditions for forgiveness, however, on November 30, 2020, the total due under the EIDL program was required to be repaid in full (and dZi repaid it in full on that date).

5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,619,457	\$ 385,143
Investments	-	1,173,040
Contributions and grants receivable	115,618	194,040
Subtotal financial assets available within one year	1,735,075	1,752,223
Less: Amounts unavailable for general expenditures within one year due to donor's restriction	(590,111)	(523,309)
Less: Board designated funds	(162,000)	(162,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 982,964	\$ 1,066,914

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

5. LIQUIDITY AND AVAILABILITY (Continued)

dZi is substantially supported by restricted contributions; as a donor's restriction requires resources to be used in a particular manner or in a future period, dZi must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As of June 30, 2020, dZi has financial assets equal to approximately 8 months of operating expenses.

As part of dZi's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Board has designated a portion of accumulated surplus to its liquidity reserve, which was \$162,000 as of June 30, 2020. This is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2020:

	2020	2019
Nepal projects	\$ 433,683	\$ 417,881
Girls Homes	7,500	10,000
Time restricted	173,562	192,653
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 614,745	\$ 620,534

The following 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:

	2020	2019
Nepal projects	\$ 575,111	\$ 512,059
Girls Homes	15,000	11,250
Passage of time	159,790	35,900
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 749,901	\$ 559,209

7. IN-KIND CONTRIBUTIONS

In-kind contributions are recorded at fair value as of the date of the gift. During the years ended June 30, 2020 and 2019, 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.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

7. IN-KIND CONTRIBUTIONS (Continued)

The following donations have been included in contributions revenue and expense during the years ended June 30, 2020 and 2019:

	2020	2019
Nepal community project work	\$ 97,611	\$ 82,884
Other	-	600
TOTAL IN-KIND CONTRIBUTIONS	\$ 97,611	\$ 83,484

8. RETIREMENT PLANS

dZi contributes up to 3% of each employee's gross pay as a match to employee contributions in dZi's established IRA fund or a qualifying fund of their choosing. This policy applies to all U.S.-based, salaried employees who meet the IRS minimum compensation requirements. The continuation of this benefit is reviewed annually at the calendar year-end Board meeting, generally held in December. The Board's intent is for this policy to be in force indefinitely. However, the Board maintains the discretion to modify it (including eliminating it) at any time if and when deemed necessary.

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' contribution and place them in the aforementioned trust. Contributions to the Plan during the years ended June 30, 2020 and 2019 totaled \$13,867 and \$12,811, respectively.

9. LEASE COMMITMENTS

dZi rents its principal office space in Ridgway, Colorado under an operating lease agreement which is currently set to expire on April 30, 2024. Base rent is currently set at \$973 per month, with 6% annual increases. Also, dZi leases office space in Nepal under a lease currently requiring a monthly payment of NR 90,000 (approximately \$826), with 5% annual increases through the lease expiration date of December 31, 2023.

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

<u>Year Ending June 30,</u>	
2021	\$ 24,046
2022	23,703
2023	25,013
2024	17,614
	\$ 90,376

Occupancy expense (for all office spaces) during the years ended June 30, 2020 and 2019 totaled \$23,875 and \$21,256, respectively.

dZi FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, dZi has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market dZi has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *U.S. Treasury bills* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, dZi's investments as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Certificates of deposit	\$ -	\$ 150,179	\$ -	\$ 150,179
U.S. Treasury bills	-	1,022,861	-	1,022,861
TOTAL	\$ -	\$ 1,173,040	\$ -	\$ 1,173,040

11. SUBSEQUENT EVENTS

In preparing these financial statements, dZi has evaluated events and transactions for potential recognition or disclosure through January 23, 2021, the date the financial statements were issued.