

**FINANCIAL STATEMENTS**



**DZI FOUNDATION**

**FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021**

**dZi FOUNDATION**

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
dZi Foundation  
Ridgway, Colorado

### **Opinion**

We have audited the accompanying financial statements of dZi Foundation (dZi), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of dZi as of June 30, 2022 and 2021, and the change in its net assets, functional expenses and its cash flows for the then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of dZi and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about dZi's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 dZi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about dZi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

January 13, 2023

## dZi FOUNDATION

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2022 AND 2021

## ASSETS

|  | <u>2022</u>                | <u>2021</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>  |                            |                            |
| Cash and cash equivalents  | \$ 949,855                 | \$ 1,416,107               |
| Investments  | 282,564                    | -                          |
| Contributions and grants receivable, net of allowance of<br>\$6,000 in 2022 and 2021                           | 12,500                     | 44,500                     |
| Prepaid expenses and other assets  | <u>2,000</u>               | <u>6,994</u>               |
| Total current assets   | <u>1,246,919</u>           | <u>1,467,601</u>           |
| <b>FIXED ASSETS</b>  |                            |                            |
| Equipment  | 8,012                      | 8,012                      |
| Vehicles   | <u>61,135</u>              | <u>61,135</u>              |
|  | 69,147                     | 69,147                     |
| Less: Accumulated depreciation and amortization  | <u>(69,147)</u>            | <u>(69,147)</u>            |
| Net fixed assets   | <u>-</u>                   | <u>-</u>                   |
| <b>NONCURRENT ASSETS</b>   |                            |                            |
| Contributions and grants receivable, net of current portion and net<br>present value discount of \$409 in 2021 | <u>-</u>                   | <u>12,591</u>              |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 1,246,919</u></b> | <b><u>\$ 1,480,192</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                            |                            |
| <b>CURRENT LIABILITIES</b>   |                            |                            |
| Loans payable  | \$ -                       | \$ 64,113                  |
| Accounts payable and accrued liabilities   | <u>91,457</u>              | <u>80,269</u>              |
| Total liabilities  | <u>91,457</u>              | <u>144,382</u>             |
| <b>NET ASSETS</b>  |                            |                            |
| Without donor restrictions   | 916,705                    | 921,741                    |
| With donor restrictions  | <u>238,757</u>             | <u>414,069</u>             |
| Total net assets   | <u>1,155,462</u>           | <u>1,335,810</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b><u>\$ 1,246,919</u></b> | <b><u>\$ 1,480,192</u></b> |

See accompanying notes to financial statements.

## dZi FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022**

|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>               |
|---|---|------------------------------------|----------------------------|
| <b>SUPPORT AND REVENUE</b>                  |   |                                    |                            |
| Contributions and grants                    | \$ 1,161,588                              | \$ 517,370                         | \$ 1,678,958               |
| Interest and investment loss                | (4,752)                                   | -                                  | (4,752)                    |
| In-kind contributions                       | 102,616                                   | -                                  | 102,616                    |
| Net assets released from donor restrictions | <u>692,682</u>                            | <u>(692,682)</u>                   | <u>-</u>                   |
| Total support and revenue                   | <u>1,952,134</u>                          | <u>(175,312)</u>                   | <u>1,776,822</u>           |
| <b>EXPENSES</b>                             |   |                                    |                            |
| Program Services                            | <u>1,511,948</u>                          | <u>-</u>                           | <u>1,511,948</u>           |
| Supporting Services:                        |   |                                    |                            |
| Management and General                      | 276,920                                   | -                                  | 276,920                    |
| Fundraising                                 | <u>168,302</u>                            | <u>-</u>                           | <u>168,302</u>             |
| Total supporting services                   | <u>445,222</u>                            | <u>-</u>                           | <u>445,222</u>             |
| Total expenses                              | <u>1,957,170</u>                          | <u>-</u>                           | <u>1,957,170</u>           |
| Changes in net assets                       | (5,036)                                   | (175,312)                          | (180,348)                  |
| Net assets at beginning of year             | <u>921,741</u>                            | <u>414,069</u>                     | <u>1,335,810</u>           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 916,705</u></b>                  | <b><u>\$ 238,757</u></b>           | <b><u>\$ 1,155,462</u></b> |

## dZi FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021

|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>               |
|---|---|------------------------------------|----------------------------|
| <b>SUPPORT AND REVENUE</b>                  |   |                                    |                            |
| Contributions and grants                    | \$ 579,602                                | \$ 719,703                         | \$ 1,299,305               |
| Interest and investment income              | 484                                       | -                                  | 484                        |
| In-kind contributions                       | 60,508                                    | -                                  | 60,508                     |
| Net assets released from donor restrictions | <u>920,379</u>                            | <u>(920,379)</u>                   | <u>-</u>                   |
| Total support and revenue                   | <u>1,560,973</u>                          | <u>(200,676)</u>                   | <u>1,360,297</u>           |
| <b>EXPENSES</b>                             |   |                                    |                            |
| Program Services                            | <u>1,259,690</u>                          | <u>-</u>                           | <u>1,259,690</u>           |
| Supporting Services:                        |   |                                    |                            |
| Management and General                      | 171,376                                   | -                                  | 171,376                    |
| Fundraising                                 | <u>232,596</u>                            | <u>-</u>                           | <u>232,596</u>             |
| Total supporting services                   | <u>403,972</u>                            | <u>-</u>                           | <u>403,972</u>             |
| Total expenses                              | <u>1,663,662</u>                          | <u>-</u>                           | <u>1,663,662</u>           |
| Changes in net assets                       | (102,689)                                 | (200,676)                          | (303,365)                  |
| Net assets at beginning of year             | <u>1,024,430</u>                          | <u>614,745</u>                     | <u>1,639,175</u>           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 921,741</u></b>                  | <b><u>\$ 414,069</u></b>           | <b><u>\$ 1,335,810</u></b> |

## dZi FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

|                                     | Program<br>Services | Supporting Services       |                   | Total<br>Expenses   |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|
|                                     |                     | Management<br>and General | Fundraising       |                     |
| Salaries and payroll taxes          | \$ 115,733          | \$ 188,984                | \$ 103,702        | \$ 408,419          |
| Benefits                            | 12,364              | 20,189                    | 11,078            | 43,631              |
| Office supplies and operating costs | 17,419              | 2,989                     | 2,989             | 23,397              |
| Occupancy costs                     | 15,007              | 4,125                     | 4,125             | 23,257              |
| Travel                              | 30,478              | -                         | 5,758             | 36,236              |
| Meetings                            | 11,873              | 593                       | 593               | 13,059              |
| Technical support                   | 1,382               | 2,052                     | 684               | 4,118               |
| Professional fees                   | 1,251               | 30,827                    | -                 | 32,078              |
| Fundraising consultant              | -                   | -                         | 8,863             | 8,863               |
| Board meetings                      | 1,965               | 1,907                     | 1,907             | 5,779               |
| Office equipment and software       | 11,182              | 4,466                     | 4,466             | 20,114              |
| Professional development            | 57,004              | 10,533                    | 10,533            | 78,070              |
| Insurance                           | 10,300              | 6,046                     | 3,318             | 19,664              |
| Bank and credit card fees           | 2,300               | 3,691                     | 1,908             | 7,899               |
| Media production                    | 44,053              | 288                       | 7,269             | 51,610              |
| Dues and subscriptions              | 929                 | 230                       | 230               | 1,389               |
| Donated skilled labor and materials | 102,616             | -                         | -                 | 102,616             |
| Local salaries and related benefits | 275,899             | -                         | -                 | 275,899             |
| Community projects                  | 799,973             | -                         | -                 | 799,973             |
| Events and marketing                | 220                 | -                         | 879               | 1,099               |
| <b>TOTAL</b>                        | <b>\$ 1,511,948</b> | <b>\$ 276,920</b>         | <b>\$ 168,302</b> | <b>\$ 1,957,170</b> |



## dZi FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

|                                     | Program<br>Services | Supporting Services       |                   | Total<br>Expenses   |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|
|                                     |                     | Management<br>and General | Fundraising       |                     |
| Salaries and payroll taxes          | \$ 45,970           | \$ 108,470                | \$ 135,977        | \$ 290,417          |
| Benefits                            | 8,406               | 8,037                     | 10,075            | 26,518              |
| Office supplies and operating costs | 13,254              | 2,461                     | 2,461             | 18,176              |
| Occupancy costs                     | 14,459              | 4,085                     | 4,084             | 22,628              |
| Travel                              | 5,901               | -                         | 2,808             | 8,709               |
| Meetings                            | 8,769               | 513                       | 513               | 9,795               |
| Technical support                   | 1,170               | 1,364                     | 455               | 2,989               |
| Professional fees                   | 34,860              | 25,032                    | -                 | 59,892              |
| Fundraising consultant              | -                   | -                         | 52,200            | 52,200              |
| Board meetings                      | 1,598               | 1,551                     | 1,551             | 4,700               |
| Office equipment and software       | 10,556              | 5,571                     | 5,575             | 21,702              |
| Professional development            | 5,249               | 3,406                     | 3,406             | 12,061              |
| Insurance                           | 8,217               | 2,014                     | 2,014             | 12,245              |
| Depreciation and amortization       | -                   | 893                       | -                 | 893                 |
| Bank and credit card fees           | 2,957               | 2,584                     | 2,584             | 8,125               |
| Media production                    | 32,161              | 2,227                     | 8,661             | 43,049              |
| Dues and subscriptions              | 766                 | 168                       | 168               | 1,102               |
| Donated skilled labor and materials | 60,508              | -                         | -                 | 60,508              |
| Local salaries and related benefits | 244,088             | -                         | -                 | 244,088             |
| Community projects                  | 760,785             | -                         | -                 | 760,785             |
| Events and marketing                | 16                  | -                         | 64                | 80                  |
| Bad debt expense                    | -                   | 3,000                     | -                 | 3,000               |
| <b>TOTAL</b>                        | <b>\$ 1,259,690</b> | <b>\$ 171,376</b>         | <b>\$ 232,596</b> | <b>\$ 1,663,662</b> |

## dZi FOUNDATION

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

|  | <u>2022</u>              | <u>2021</u>                |
|--|--------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                            |
| Changes in net assets  | \$ (180,348)             | \$ (303,365)               |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: |                          |                            |
| Depreciation and amortization  | -                        | 893                        |
| Unrealized loss on investments   | 6,288                    | -                          |
| Receipt of contributed securities  | (288,852)                | (243,433)                  |
| Proceeds from sale of contributed securities   | -                        | 243,639                    |
| Gain on sale of contributed securities   | -                        | (206)                      |
| Bad debt expense   | -                        | 3,000                      |
| Change in allowance for uncollectable pledges  | -                        | (22,000)                   |
| Change in discount on long term receivables  | (409)                    | (4,597)                    |
| Forgiveness of debt  | (64,113)                 | (64,500)                   |
| Decrease (increase) in:  |                          |                            |
| Contributions and grants receivable  | 45,000                   | 144,568                    |
| Prepaid expenses and other assets  | 4,994                    | (5,934)                    |
| Increase (decrease) in:  |                          |                            |
| Accounts payable and accrued liabilities   | <u>11,188</u>            | <u>(9,753)</u>             |
| Net cash used by operating activities  | <u>(466,252)</u>         | <u>(261,688)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                          |                            |
| Proceeds from PPP loan   | -                        | 64,113                     |
| Repayment of EIDL loan   | <u>-</u>                 | <u>(4,000)</u>             |
| Net cash provided by financing activities  | <u>-</u>                 | <u>60,113</u>              |
| Net decrease in cash and cash equivalents  | (466,252)                | (201,575)                  |
| Cash and cash equivalents at beginning of year   | <u>1,416,107</u>         | <u>1,617,682</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 949,855</u></b> | <b><u>\$ 1,416,107</u></b> |
| <b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>                          |                          |                            |
| Forgiveness of Debt  | <b><u>\$ 64,113</u></b>  | <b><u>\$ 64,500</u></b>    |

## dZi FOUNDATION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

#### 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; during the year ended June 30, 2021, dZi Foundation reclassified all Board designated net assets.
- **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 Statement 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 pronouncement adopted -

During the year ended June 30, 2022, dZi adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was applied on a retrospective basis. The amendment did not change the recognition and measurement requirements for those contributed nonfinancial assets.

##### 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.

**dZi FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

Cash and cash equivalents (continued) -

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 \$120,953 and \$124,485 of cash and cash equivalents on hand and in financial institutions (in Nepal) as of June 30, 2022 and 2021, respectively; funds held in Nepal are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the accompanying Statement of Activities and Changes in Net Assets.

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, 2022 and 2021, 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.

**dZi FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

Contributions and grants (continued) -

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. 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. As of June 30, 2022, dZi received assistance from donors under conditional awards totaling \$380,666 (not recorded in the accompanying financial statements). During the year ended June 30, 2021, 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 Statement 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.

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 for fiscal years 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.

**dZi FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**2. INVESTMENTS**

Investments consisted of the following at June 30, 2022 and 2021:

|                              | <b>2022</b>       |                   | <b>2021</b> |                   |
|------------------------------|-------------------|-------------------|-------------|-------------------|
|                              | <b>Cost</b>       | <b>Fair Value</b> | <b>Cost</b> | <b>Fair Value</b> |
| Equities                     | \$ 282,849        | \$ 275,919        | \$ -        | \$ -              |
| Real estate investment trust | 6,003             | 6,645             | -           | -                 |
| <b>TOTAL INVESTMENTS</b>     | <b>\$ 288,852</b> | <b>\$ 282,564</b> | <b>\$ -</b> | <b>\$ -</b>       |

Included in net interest and investment (loss) income are the following at June 30, 2022:

|  | <b>2022</b>       | <b>2021</b>   |
|--|-------------------|---------------|
| Interest   | \$ 1,536          | \$ 484        |
| Unrealized loss on investments                   | (6,288)           | -             |
| <b>NET INTEREST AND INVESTMENT (LOSS) INCOME</b> | <b>\$ (4,752)</b> | <b>\$ 484</b> |

**3. CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable reflect commitments made to dZi by individuals and other donors; as of June 30, 2022 and 2021, dZi had received commitments for support from donors in which \$18,500 and \$63,500, 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%.

Following is a summary of contributions and grants receivable as of June 30, 2022 and 2021:

|  | <b>2022</b> | <b>2021</b>      |
|--|-------------|------------------|
| Less than one year                             | \$ 18,500   | \$ 50,500        |
| One to five years                              | -           | 13,000           |
|  | 18,500      | 63,500           |
| Less: Allowance for doubtful amounts (current) | (6,000)     | (6,000)          |
| Less: Current portion                          | (12,500)    | (44,500)         |
| Less: Present value discount (3.25%)           | -           | (409)            |
| <b>TOTAL NONCURRENT PORTION, NET</b>           | <b>\$ -</b> | <b>\$ 12,591</b> |

**4. LOANS PAYABLE**

On January 28, 2021, dZi received loan proceeds in the amount of \$64,113 under the Paycheck Protection Program (PPP). The promissory note required monthly principal and interest payments amortized over the 5-year term of the promissory note, with a deferral of payments for the first year. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration (SBA) in whole or in part. dZi used the loan proceeds for purposes consistent with the PPP, and on September 24, 2021, the total due under the PPP loan was forgiven. The full value of the forgiven loan has been included in "Contributions and Grants" in the accompanying 2022 Statements of Activities and Changes in Net Assets.

**dZi FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**4. LOANS PAYABLE (Continued)**

On April 8, 2020, dZi received a PPP loan totaling \$64,500. The promissory note required 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. dZi used the loan proceeds for purposes consistent with the PPP, and on November 28, 2020, the total due under the PPP loan was forgiven. The full value of the forgiven loan has been included in "Contributions and Grants" in the accompanying 2021 Statements of Activities and Changes in Net Assets.

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 required repayments of principal and interest over a 30-year term, with a deferral of payments for the first year. On November 30, 2020, dZi repaid the entire amount.

**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:

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 949,855          | \$ 1,416,107        |
| Investments   | 282,564             | -                   |
| Contributions and grants receivable   | 12,500              | 44,500              |
| Subtotal financial assets available within one year   | 1,244,919           | 1,460,607           |
| Less: Amounts unavailable for general expenditures<br>within one year due to donor's restriction  | (225,257)           | (357,979)           |
| <b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS<br/>FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b> | <b>\$ 1,019,662</b> | <b>\$ 1,102,628</b> |

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, 2022 and 2021, dZi has financial assets equal to approximately 7 and 8 months, respectively, of operating expenses.

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at June 30, 2022:

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Nepal projects                                  | \$ 220,257        | \$ 352,979        |
| Girls Homes                                     | 5,000             | 5,000             |
| Time restricted                                 | 13,500            | 56,090            |
| <b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b> | <b>\$ 238,757</b> | <b>\$ 414,069</b> |

**dZi FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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:

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
| Nepal projects   | \$ 650,091        | \$ 757,139        |
| Girls Homes  | 42,591            | 12,500            |
| Passage of time  | -                 | 150,740           |
| <b>TOTAL NET ASSETS RELEASED FROM<br/>DONOR RESTRICTIONS</b> | <b>\$ 692,682</b> | <b>\$ 920,379</b> |

**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, 2022 and 2021, 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 (including Board member service) 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 revenue and program services expense during the years ended June 30, 2022 and 2021:

|   | <b>2022</b>       | <b>2021</b>      |
|---|-------------------|------------------|
| <b>Program Services: Nepal Community Project Work</b> | <b>\$ 102,616</b> | <b>\$ 60,508</b> |

**8. 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> |           |               |
|-----------------------------|-----------|---------------|
| 2023                        | \$        | 25,013        |
| 2024                        |           | 17,614        |
|                             | <b>\$</b> | <b>42,627</b> |



## dZi FOUNDATION

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

#### 8. LEASE COMMITMENTS (Continued)

Occupancy expense (for all office spaces) during the years ended June 30, 2022 and 2021 totaled \$23,257 and \$22,628, respectively.

#### 9. 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. Contributions made during the years ended June 30, 2022 and 2021 totaled \$9,743 and \$6,118, respectively.

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, 2022 and 2021 totaled \$18,419 and \$12,980, respectively.

#### 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, 2022 and 2021.

*Equities/Real Estate Investment Trust* - Valued at the closing price reported on the active market in which the individual securities are traded.

dZi FOUNDATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, dZi's investments as of June 30, 2022:

| <b>Asset Class:</b>          | <b>Level 1</b>           | <b>Level 2</b>     | <b>Level 3</b>     | <b>Total</b>             |
|------------------------------|--------------------------|--------------------|--------------------|--------------------------|
| Equities                     | \$ 275,919               | \$ -               | \$ -               | \$ 275,919               |
| Real estate investment trust | <u>6,645</u>             | <u>-</u>           | <u>-</u>           | <u>6,645</u>             |
| <b>TOTAL</b>                 | <b><u>\$ 282,564</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 282,564</u></b> |

11. SUBSEQUENT EVENTS

In preparing these financial statements, dZi has evaluated events and transactions for potential recognition or disclosure through January 13, 2023, the date the financial statements were issued.