dZi Foundation

Financial Report
June 30, 2023

Contents

Independent Auditor's Report

Board of Directors
dZi Foundation

Opinion
We have audited the accompanying financial statements of dZi Foundation (the Organization), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. 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 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.

4220 Cahaba Heights Court | Suite 201 | Birmingham, AL 35243 | Office: 205.277.1529 | www.haleyandwoods.com

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

Haley & Woods, LLP

Birmingham, Alabama
November 10, 2023
.

dZi Foundation

Statement of Financial Position
June 30, 2023

		2023
Assets		
Current assets:		
Cash	$	520,449
Investments		304,968
Total current assets		825,417
Office equipment		-
Total assets	$	825,417
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$	95,606
Total current liabilities		95,606
Net assets:		
Without donor restrictions:		
Undesignated		476,497
With donor restrictions		253,314
Total net assets		729,811
Total liabilities and net assets	$	825,417

See notes to financial statements.

dZi Foundation

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:			
Contributions and grants	$ 908,685	$ 616,257	$ 1,524,942
Net investment return	29,687	-	29,687
Gain on sale of property and equipment	15,000	-	15,000
	953,372	616,257	1,569,629
Net assets released from restrictions	601,700	(601,700)	-
Total revenue, support, and gains	1,555,072	14,557	1,569,629
Expenses:			
Program services	1,474,093	-	1,474,093
Supporting services:			
Management and general	273,822	-	273,822
Fundraising	247,365	-	247,365
	1,995,280	-	1,995,280
Change in net assets	(440,208)	14,557	(425,651)
Net assets:			
Beginning of year	916,705	238,757	1,155,462
End of year	$ 476,497	$ 253,314	$ 729,811

See notes to financial statements.

dZi Foundation

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Salaries and payroll taxes	$ 486,949	$ 169,560	$ 152,726	$ 809,235
Community projects	671,343	-	-	671,343
Professional development	43,380	18,150	18,150	79,680
Benefits	27,635	18,775	16,910	63,320
Media production	44,562	4,428	14,151	63,141
Office equipment and software	46,515	5,239	5,239	56,993
Office operating costs	51,856	2,541	2,541	56,938
Professional fees	11,962	32,127	-	44,089
Travel	34,425	-	1,068	35,493
Occupancy costs	18,066	3,070	3,070	24,206
Meetings	19,174	415	415	20,004
Fundraising consultant	-	-	15,880	15,880
Events and marketing	7,771	-	7,981	15,752
Technical support	2,776	6,556	2,185	11,517
Insurance	3,577	4,149	3,737	11,463
Loss on uncollectible promises to give	-	5,500	-	5,500
Board meetings	1,715	1,664	1,664	5,043
Bank and credit card fees	1,805	1,569	1,569	4,943
Dues and subscriptions	582	79	79	740
Total expenses	$ 1,474,093	$ 273,822	$ 247,365	$ 1,995,280

dZi Foundation

Statements of Cash Flows
Year Ended June 30, 2023

	2023
Cash flows from operating activities:	
Change in net assets	**$ (425,651)**
Adjustments to reconcile change in net assets to	
net cash used in operating activities:	
Realized and unrealized gain on investments	**(26,550)**
Gain on sale of property and equipment	**(15,000)**
Loss on uncollectible promises to give	**5,500**
Changes in assets and liabilities:	
Contributions and grants receivable	**7,000**
Prepaid expenses	**2,000**
Accounts payable and accrued liabilities	**4,149**
Net cash used in operating activities	**(448,552)**
Cash flows from investing activities:	
Purchases of investments	**(3,151)**
Proceeds from sale of investments	**7,297**
Proceeds from sale of property and equipment	**15,000**
Net cash provided by investing activities	**19,146**
Net decrease in cash	**(429,406)**
Cash:	
Beginning of year	**949,855**
End of year	**$ 520,449**

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The dZi Foundation (the Organization) is a Colorado not-for-profit corporation that partners with local communities to achieve shared prosperity by ensuring access to basic needs, catalyzing inclusive economic growth, and creating an environment for lasting change. Programs are owned and led by community members and range from organic agriculture training and safe drinking water access to bridges and earthquake-safe classrooms – tailored programs that help community members dismantle poverty.

Cash and cash equivalents: The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. There were no cash equivalents at June 30, 2023.

Contributions and grants receivable: The Organization records unconditional promises to give, including contributions and grants receivable, that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectable promises to give based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. Promises to give are written off when deemed uncollectable. At June 30, 2023, there were no contributions and grants receivable.

Investments: The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and equipment: The Organization records property and equipment additions over $2,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no net assets with donor restrictions that must be maintained in perpetuity as of June 30, 2023. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue recognition: The Organization recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions: Nepal community member volunteers contribute significant amounts of time to program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America (GAAP). Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended June 30, 2023.

Functional allocation of expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, insurance, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

Income taxes: The Organization is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to the Organization’s exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates: The preparation of financial statements in conformity with GAAP requires us 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 revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial instruments and credit risk: The Organization manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2023, the Organization had $261,286 of cash and cash equivalents on hand and in financial institutions in Nepal that are not insured. To date, the Organization has not experienced losses in any of these accounts.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Credit risk associated with contributions and grants receivable are considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management and the finance committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Recently adopted accounting pronouncement: Effective July 1, 2022, the Organization adopted FASB ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach was required. Because all of the Organization’s lease agreements are short-term, the adoption of this new guidance did not have an impact on its financial statements.

Recently issued accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct writedown. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. ASU 2016-13 is effective for the Organization as of July 1, 2023. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

Subsequent events: Subsequent events have been evaluated through November 10, 2023, which is the date the financial statements were available for issuance.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash	$ 520,449
Investments	304,968
	825,417
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	(253,314)
	$ 572,103

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, operating revenue generated throughout the year is budgeted to cover general operating expenditures.

Note 3. Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

All of the Organization's investment assets are classified within Level 1 because they comprise of equities, a real estate investment trust, and treasury bills with readily determinable fair values based on daily redemption values. The Organization has no Level 2 or 3 investments.

The following table presents assets measured at fair value on a recurring basis, at June 30, 2023:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 294,967	$ 294,967	$ -	$ -
Real estate investment trust	5,042	5,042	-	-
Fixed income	4,959	4,959	-	-
	$ 304,968	$ 304,968	$ -	$ -

Note 4. Office Equipment

Office equipment consists of the following at June 30, 2023:

Office equipment	$	8,012
Accumulated depreciation		(8,012)
	$	-

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023:

Subject to expenditure for specified purpose:		
Nepal projects	$	248,314
Girls homes		5,000
	$	253,314

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time as follows for the year ended June 30, 2023:

Passage of time	$	13,500
Satisfaction of purpose retrictions		
Nepal projects		588,200
	$	601,700

Note 6. Leases

The Organization rents its principal office space in Ridgway, Colorado under a month-to-month operating lease agreement for $550 a month. Also, the Organization leases office space in Nepal under a month-to-month lease agreement for NR 135,000 a month (approximately $1,026 as of June 30, 2023).

Occupancy expense for all office spaces totaled $24,206 for the year ended June 30, 2023.

Note 7. Retirement Plan

The Organization contributes up to 3% of each employee's gross pay as a match to employee contributions in the Organization'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 and when deemed necessary. The Organization's contributions totaled $13,239 for the year ended June 30, 2023 and is included in benefits in the accompanying statement of functional expenses.

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 the Organization to match the employee's contribution and place them in the aforementioned trust. Contributions to the Plan during the years ended June 30, 2023 totaled NR 2,667,891 or approximately $20,000.