



**PANZI FOUNDATION**  
*(A Maryland not-for-profit corporation)*

**AUDITED FINANCIAL STATEMENTS**  
**As of December 31, 2019**

*With comparative statements for the year ended December 31, 2018*

**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**PANZI FOUNDATION**  
*(A California not-for-profit corporation)*

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HZ CPAs & Advisors, P.C.

To the Board of Directors  
Panzi Foundation  
Bethesda, Maryland

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of Panzi Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2018 financial statements and in the report dated April 5, 2019; an unmodified opinion was expressed on those financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panzi Foundation as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2020 on our consideration of Panzi Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Panzi Foundation's internal control over financial reporting and compliance.

*HZ CPAs & Advisors, P.C.*

Buena Park, California  
March 25, 2020

**PANZI FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2019  
(With comparatives as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 604,425	\$ 410,291
Accounts receivable	196,026	169,847
Other assets	<u>236</u>	<u>236</u>
<b>Total current assets</b>	<u>800,687</u>	<u>580,374</u>
<b>Property and equipment:</b>		
Furniture and equipment (Note 2)	424	424
Less: accumulated depreciation (Note 2)	<u>(424)</u>	<u>(378)</u>
<b>Net property and equipment</b>	<u>-</u>	<u>46</u>
<b>TOTAL ASSETS</b>	<u>\$ 800,687</u>	<u>\$ 580,420</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ <u>49,714</u>	\$ <u>86,464</u>
<b>Total current liabilities</b>	<u>49,714</u>	<u>86,464</u>
<b>Total liabilities</b>	<u>49,714</u>	<u>86,464</u>
<b>Net assets:</b>		
Net assets without donor restrictions	<u>750,973</u>	<u>493,956</u>
<b>Total net assets</b>	<u>750,973</u>	<u>493,956</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 800,687</u>	<u>\$ 580,420</u>

The accompanying notes are an integral part of these financial statements.

**PANZI FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2019  
(With comparative totals for the year ended December 31, 2018)

	2019	2018
<b>SUPPORT AND REVENUES:</b>		
Corporate and foundation grants	\$ 684,480	\$ 577,982
Individual and small business contributions	576,967	121,350
Donated goods and services	10,243	10,243
<b>Total support and revenues</b>	<u>1,271,690</u>	<u>709,575</u>
<b>EXPENSES:</b>		
Program services	855,228	533,022
Management and general	70,777	58,809
Fundraising	88,668	41,561
<b>Total expenses</b>	<u>1,014,673</u>	<u>633,392</u>
<b>Increase in net assets</b>	257,017	76,183
Net assets, beginning of the year	<u>493,956</u>	<u>417,773</u>
<b>Net assets, end of the year</b>	<u><u>\$ 750,973</u></u>	<u><u>\$ 493,956</u></u>

The accompanying notes are an integral part of these financial statements.

**PANZI FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2019  
(With comparative totals for the year ended December 31, 2018)

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>	<u>2018 Expenses</u>
<b>EXPENSES</b>					
Awards and grants	\$ 569,916	\$	\$	\$ 569,916	\$ 385,302
Salaries and wages	143,974	20,426	75,683	240,083	107,446
Payroll taxes	10,701	2,175	5,693	18,569	8,935
Contract service expenses	15,930	27,523		43,453	34,345
Travels and meetings expenses	103,855	2,543	5,621	112,019	58,847
Printing and copying	73	94	138	305	1,434
Website and database		2,251		2,251	9,170
Insurance		550		550	279
Postage, shipping, and mailing services		1,184		1,184	1,914
Supplies	249	101		350	
Advertising expenses		755		755	295
Bank fees		9,687	1,533	11,220	9,886
Donated goods and services	10,243			10,243	10,243
Depreciation expense		46		46	84
Other expenses	287	3,442		3,729	5,212
<b>Total expenses</b>	<u>\$ 855,228</u>	<u>\$ 70,777</u>	<u>\$ 88,668</u>	<u>\$ 1,014,673</u>	<u>\$ 633,392</u>

The accompanying notes are an integral part of these financial statements.

**PANZI FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2019  
(With comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 257,017	\$ 76,183
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	46	84
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in assets:		
Accounts receivable	(26,179)	177,241
Other assets		
Increase (decrease) in liabilities:		
Accounts payable	<u>(36,750)</u>	<u>(79,047)</u>
<b>Net cash provided by operating activities</b>	<u>194,134</u>	<u>174,461</u>
<b>Net increase/(decrease) in cash</b>	<u>194,134</u>	<u>174,461</u>
Cash - beginning of the year	<u>410,291</u>	<u>235,830</u>
<b>Cash - end of the year</b>	<u><u>\$ 604,425</u></u>	<u><u>\$ 410,291</u></u>

The accompanying notes are an integral part of these financial statements.



**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF ACTIVITIES**

**ORGANIZATION**

Panzi Foundation (also referred to as Panzi Foundation USA) is a Maryland Not-For-Profit Corporation created to raise funds and to engage in policy advocacy to support the mission of Panzi Foundation DRC and Panzi Hospital in the Democratic Republic of the Congo (DRC). For much of the past 20 years, the DRC has been devastated by war and an epidemic of sexualized violence. Since its founding in 1999, Dr. Denis Mukwege and the other doctors of Panzi Hospital have treated nearly 60,000 of these survivors, becoming internationally recognized experts in operations to heal women with fistula and/or other complex gynecological injuries. After survivors' physical wounds heal, many of them receive holistic care, which can include transitional housing, therapeutic counseling, literacy and education services, legal aid, and job training. Panzi Hospital programs are crucial in providing whole-woman healing, a holistic model developed by Panzi Hospital that has been recognized as best-in-class service to support survivors.

Panzi Foundation USA engages in strategic advocacy to end violence against women in the Congo and in other conflict-afflicted countries around the world and provides grants to Panzi Hospital and Panzi Foundation DRC to heal women and restore their lives. Panzi Foundation USA works with its counterparts in the DRC to amplify credible, expert Congolese voices addressing the root causes of violence against women and girls, and ensure those voices are at the forefront of policy, advocacy and philanthropic conversations in the US.

**About Panzi Hospital:**

Dr. Denis Mukwege founded Panzi Hospital in 1999 as a response to the devastating war that engulfed his community in the eastern provinces of the Democratic Republic of Congo. As a direct outcome of the war, maternal mortality was on the rise, and Dr. Mukwege, a French-trained pediatrician and gynecological surgeon, hope to improve access to cesarean sections and other obstetric interventions. His first patient, however, was not a mother in labor; she was a survivor of rape, whose reproductive organs had been brutally attacked and horribly injured. As violence against women and girls escalated dramatically in the context of Congo's wars, Dr. Mukwege and the staff of Panzi Hospital dedicated significant hospital resources to treating women with fistulas (an injury that ruptures the barrier between the vaginal canal and the bladder and/or colon that then leaks causing infection and other health and social problems) and other complex gynecological injuries - both traumatic (caused by sexual violence) and obstetric (caused by absence of, or poor, maternal care).

While it is world-renowned for its best-in- class service treating survivors of sexual violence and complex gynecological injuries, Panzi Hospital's impact on the community runs much deeper.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF ACTIVITIES (continued)**

For 15 years, Panzi Hospital has pursued the mission of assuring quality holistic care for the population of South Kivu and beyond in the DRC through improved health care service delivery, community outreach activities, and advocacy. The hospital is located 8 kilometers (5 miles) from the center of Bukavu in eastern DRC. It is the general reference hospital for the Ibanda Health Zone and accepts patients from throughout the region.

Over the years, the hospital has expanded its services in response to the needs of the population. It now has 4 main departments:

- Department of General Internal Medicine, including cardiology, pulmonology, rheumatology, and a dialysis unit;
- Department of Surgery, including an anesthesiology service and an intensive care unit;
- Department of Gynecology and Obstetrics, including a maternity ward;
- Department of Pediatrics, including a neonatology unit.

Additionally, the following services are offered at the hospital:

- Outpatient clinics for family medicine, ear, nose and throat (ENT), dermatology, a dental clinic and an Optometrist;
- A radiology unit including a mammography unit and echography;
- Endoscopy unit;
- Laboratory;
- Blood bank;
- Psychotherapeutic.

**The Panzi Response: Caring for the Whole Woman and Whole Community**

Congolese women must have the ability to play a central role in the reconstruction of their broken society - but to do so, survivors of sexual violence must receive holistic care to help them recover, to give them new networks, tools, and options for economic and social empowerment. Panzi Hospital treats thousands of women a year with complex gynecological injuries, including obstetric and traumatic fistula, as well as other injuries from rape and sexualized violence. The hospital currently has 450 beds, many of which are reserved for survivors of sexual violence. Treating fistula often involves multiple delicate surgeries, followed by a prolonged period of recovery.

Some of the women treated at Panzi Hospital are unable or unwilling to return home after medical treatment, abandoned by their husbands and rejected by their families and villages due to the stigma associated with rape and/or fistula. Some are displaced due to the destruction of their homes or villages and some have no surviving family members.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF ACTIVITIES (continued)**

Others may be unable to live independently due to injuries or diseases such as HIV/AIDS. With no place to go, they would attempt to live somewhere in the vicinity of the hospital. They were unable to afford school fees and adequate housing, putting their children in a cycle of vulnerability to continued violence.

Panzi's holistic model of care now provides survivors of sexual violence with services that meet the full spectrum of their needs: physical recovery, emotional recovery, education and vocational training, community reintegration support, and legal assistance. In addition, we make critical investments in building the capacity of civil society organizations doing the grassroots work to rebuild their communities on principles of human rights and partnership between men and women.

**Current programs include:**

*Maison Dorcas - Innovative and Holistic Aftercare for Survivors*

Panzi Hospital USA supports a critical component of Panzi Hospital's services: the holistic aftercare provided at Maison Dorcas. At Maison Dorcas, located close to Panzi Hospital, women and girls who are otherwise unable to return home after their medical treatment receive housing, meals, and access to the full suite of holistic recovery support provided by Panzi, all in a protected, collaborative and supportive environment. These programs include therapeutic counseling, job skills training, literacy and numeracy classes, micro-grants and loans for small businesses, and outreach projects to rural communities. At any one time, Maison Dorcas can accommodate 180 vulnerable women and children. The ultimate goal of the Maison Dorcas staff is to heal and build the resilience of the whole woman and her family. Panzi USA supports many activities at Maison Dorcas to help girls and women recover from their traumatic experiences. Maison Dorcas provides a variety of therapies, ranging from dance to quilting.

Women stay on average for three months, in clean, safe and comfortable dormitory-style rooms. Maison Dorcas is able to make accommodations for women with dependent children, determined on a case-by case basis, so that all women who can benefit from Panzi Hospital's therapeutic and community-reintegration services can access those programs without concern for child care. Women and girls living at Maison Dorcas receive a hygiene kit and clean clothing upon arrival and are asked to contribute to the facility's upkeep - this is to emphasize that the facility is their home, for which they have responsibility. They also receive a reintegration kit upon graduation from the Maison Dorcas training programs, which allows them to launch income generating activities and start down the road to economic independence.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF ACTIVITIES (continued)**

*One-Stop Centers and Rural Dorcas*

As rural situations become safer and more stable, more women choose to return to their rural homes as rapidly as they can. When this is the case, many women forego the urban Maison Dorcas option in order to return home. Responding to this, Panzi has created two “One-Stop Centers,” basically small, rural hospitals, with a doctor(s) resident, to provide medical and psychosocial treatment to rural communities. In addition, Panzi has created a number of “Rural Dorcas” locations to provide livelihoods and other services to women in their own communities.

*Badilika - Investment in Community and Civil Society*

Panzi’s innovative Badilika (“Change” in Swahili) Program works to increase the accountability of the Congolese government to protect human rights, reduce women’s vulnerability, and improve governance. By making critical investments in local Congolese civil society organizations and providing them with technical support and training, Badilika staff works so that more Congolese citizens are aware of their rights, their responsibilities, and the accountability they should be able to insist on and expect from their leaders. By supporting coalitions, the Badilika team is building civil society’s capacity to address the root causes of violence and rebuild Congolese communities on the principles of justice, human rights, and gender equality.

*Panzi’s Platform to Protect: Addressing Root Causes through Policy Advocacy*

The driving motivation of Dr. Denis Mukwege and the Panzi Hospital and Foundations family is the fight to end brutal sexual violence against women and girls in Congo and in conflict settings around the world. To do so in Congo, Panzi provides relief, recovery, and restorative opportunities for vulnerable communities, especially women and girls. We believe that without addressing the root causes of violence directly, new survivors of sexual violence will continue to arrive on the Hospital's doorstep. In the USA, Panzi Foundation USA works to raise awareness about the crisis in Congo and the scourge of violence against women more broadly.

The driving motivation of Dr. Denis Mukwege and the Panzi Hospital and Foundations family is to win the fight to end brutal sexual violence against women and girls in Congo and in conflict settings everywhere around the world. To do so in Congo, and elsewhere, Panzi provides relief, recovery, and restorative opportunities for vulnerable communities, especially women and girls. Panzi Foundation USA will continue to use its platform to amplify Dr. Mukwege’s voice and to help position Panzi Hospital and Foundation’s doctors, nurses, and other practitioners as thought-leaders and experts.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FINANCIAL STATEMENT PRESENTATION**

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Financial Accounting Standards Board (FASB) issued an Accounting Standard Update in August 2016 to require classification of net assets into two categories. Panzi Foundation has adopted this method:

*Net assets without donor restrictions* – Net assets that are not subject to any donor-imposed stipulations.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions on their special purpose other than normal programs and operations. For example, contributions received for fixed asset acquisitions will be recorded as net assets with donor restrictions. Perpetual restrictions such as endowment are another example. Below is a general reference of comparison between previously reported categories and the new reporting convention.

<b>Previously reported</b>	<b>New reporting</b>
Unrestricted net assets	Net assets without donor restrictions
Temporarily restricted	Net assets with donor restrictions
Permanently restricted	

In the year ended 2019, there were no unfulfilled donor-imposed restrictions.

**ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows, Panzi Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**COMPARATIVE FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information in totals but not by net asset classes. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Panzi Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**PROPERTY AND EQUIPMENT**

Property and equipment are capitalized at cost or fair market value on the date of receipt in the case of donated property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. Leasehold improvements are depreciated over the lease term (including options) or the useful life.

Major additions are capitalized, and repairs and maintenance that do not improve or extend the life of the assets are expensed. When assets are sold or retired their cost and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in the Statement of Activities.

**INCOME TAXES**

Panzi Foundation is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. Panzi Foundation's management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Panzi Foundation's Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2017, 2018, and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**CONTRIBUTED GOODS AND SERVICES**

The accompanying financial statements include amounts of materials, equipment and services donated to Panzi Foundation. The basis of valuation of these donations is generally in-house appraisal or fair market value as indicated by the person or agency making the donation. Included in revenue and expenses are \$10,243 of in-kind contributions for the year ended December 31, 2019.

**ALLOCATED EXPENSES**

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

**NOTE 3 – LIQUIDITY OF ORGANIZATION**

According to Accounting Standard Update (ASU) 2016-14, Panzi Foundation's management has evaluated how the organization manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet. Panzi Foundation USA engages in strategic advocacy to end violence against women in the Congo and in other conflict-afflicted countries around the world and provides grants to Panzi Hospital and Panzi Foundation DRC to heal women and restore their lives. Panzi Foundation has a cohesive team that has won respect in the field and by funders. Panzi Foundation has \$800,687 in current assets and \$49,714 in current liabilities at December 31, 2019, with a current ratio 16:1. Among the current assets, \$604,425 is cash and cash equivalents. The general expenses of the organization were \$1,014,673 in 2019, and there was \$1,271,690 in current revenue to cover the expenses.

**PANZI FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows at December 31, 2019:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and equipment	\$ <u>424</u>	\$ <u>(424)</u>	\$ <u></u>
Net property and equipment	\$ <u>424</u>	\$ <u>(424)</u>	\$ <u></u>

Depreciation expense for the year ended December 31, 2019 was \$46.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

The organization's cash, \$604,425 as of December 31, 2019, is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor, or certain non-interest bearing accounts that are fully insured by the FDIC. As of December 31, 2019, the organization had cash that was exposed to uninsured deposit risk in the amount of \$354,425.

**NOTE 6 - SUBSEQUENT EVENTS**

Panzi Foundation's management has evaluated subsequent events for the period from January 1, 2020 through March 25, 2020, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.



**SUPPLEMENTARY INFORMATION SECTION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



HZ CPAs & Advisors, P.C.

To the Board of Directors  
Panzi Foundation  
Bethesda, Maryland

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Panzi Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Panzi Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Panzi Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of Panzi Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panzi Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HZ CPAs & Advisors, P.C.*

Buena Park, California  
March 25, 2020