

PANZI

FOUNDATION

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

AUDITED FINANCIAL STATEMENTS

As of December 31, 2021

With comparative statements for the year ended December 31, 2020

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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

Table of contents

	<u>Page</u>
Independent auditor's report	3
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7
Statement of cash flows	8
Notes to the financial statements	9
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	18



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, 2021, 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 2020 financial statements and in the report dated February 16, 2021; 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, 2021, 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 23, 2022 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.

Cypress, California
March 23, 2022

PANZI FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2021
(With comparatives as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 579,283	\$ 580,872
Accounts receivable	1,416,229	574,357
Other assets	<u>3,257</u>	<u>1,269</u>
Total current assets	<u>1,998,769</u>	<u>1,156,498</u>
Property and equipment:		
Furniture and equipment (Note 2)	424	424
Less: accumulated depreciation (Note 2)	<u>(424)</u>	<u>(424)</u>
Net property and equipment	<u></u>	<u></u>
TOTAL ASSETS	<u>\$ 1,998,769</u>	<u>\$ 1,156,498</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 83,379	\$ 512,311
SBA PPP Loan	<u></u>	<u>50,000</u>
Total current liabilities	<u>83,379</u>	<u>562,311</u>
Total liabilities	<u>83,379</u>	<u>562,311</u>
Net assets:		
Net assets without donor restrictions	<u>1,915,390</u>	<u>594,187</u>
Total net assets	<u>1,915,390</u>	<u>594,187</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,998,769</u>	<u>\$ 1,156,498</u>

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

PANZI FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUES:		
Corporate and foundation grants	\$ 1,891,160	\$ 1,217,577
Individual and small business contributions	598,918	404,011
Donated goods and services	<u>12,181</u>	<u>12,181</u>
Total support and revenues	<u>2,502,259</u>	<u>1,633,769</u>
EXPENSES:		
Program services	963,509	1,659,760
Management and general	154,920	77,929
Fundraising	<u>62,627</u>	<u>52,866</u>
Total expenses	<u>1,181,056</u>	<u>1,790,555</u>
Increase in net assets	1,321,203	(156,786)
Net assets, beginning of the year	<u>594,187</u>	<u>750,973</u>
Net assets, end of the year	<u><u>\$ 1,915,390</u></u>	<u><u>\$ 594,187</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, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>	<u>2020 Expenses</u>
EXPENSES					
Awards and grants	\$ 803,594	\$	\$	\$ 803,594	\$ 1,506,529
Salaries and wages	104,345	14,804	54,851	174,000	149,364
Payroll taxes	7,928	1,612	4,219	13,759	11,671
Contract service expenses	14,300	24,708		39,008	72,131
Travels and meetings expenses	18,901	463	1,023	20,387	19,423
Printing and copying	80	103	151	334	
Website and database		86,356		86,356	5,561
Insurance		550		550	550
Postage, shipping, and mailing services		1,978		1,978	1,684
Supplies	1,482	600		2,082	186
Advertising expenses		328		328	75
Bank fees		15,053	2,383	17,436	8,982
Donated goods and services	12,181			12,181	12,181
Other expenses	698	8,365		9,063	2,218
Total expenses	<u>\$ 963,509</u>	<u>\$ 154,920</u>	<u>\$ 62,627</u>	<u>\$ 1,181,056</u>	<u>\$ 1,790,555</u>

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

PANZI FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,321,203	\$ (156,786)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(841,872)	(378,331)
Other assets	(1,988)	(1,033)
Increase (decrease) in liabilities:		
Accounts payable	<u>(428,932)</u>	<u>462,597</u>
Net cash provided by operating activities	<u>48,411</u>	<u>(73,553)</u>
Cash flows from financing activities:		
Proceeds from SBA PPP Loan	<u>(50,000)</u>	<u>50,000</u>
Net cash provided by financing activities	<u>(50,000)</u>	<u>50,000</u>
Net increase/(decrease) in cash	<u>(1,589)</u>	<u>(23,553)</u>
Cash - beginning of the year	<u>580,872</u>	<u>604,425</u>
Cash - end of the year	<u><u>\$ 579,283</u></u>	<u><u>\$ 580,872</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 that raises funds and awareness to support the mission of Panzi Hospital and Panzi Foundation DRC in the Democratic Republic of the Congo (DRC). For over 25 years, the DRC has been devastated by conflict and an epidemic of sexual violence as a weapon of war. Since its founding by Dr. Denis Mukwege (2018 Nobel Peace Prize Laureate) in 1999, the doctors of Panzi have treated more than 85,000 women who have suffered severe birth- or rape-related gynecological traumas, including more than 70,000 women and girls who are survivors of sexual violence.

Recognizing that physical healing was not enough, Panzi developed a world-renowned four-pillar holistic healing model that meets the full spectrum of needs for survivors of sexual violence. Panzi creates a safe space that supports not only women's physical healing, but fosters their emotional recovery, helps rebuild their livelihoods, and contributes to the long-term, sustainable restoration of their communities.

To support these efforts, Panzi Foundation USA engages in strategic advocacy to end violence against women in the DRC and in other conflict-afflicted countries around the world and raises funds for the work implemented on the ground in DRC. Panzi Foundation USA also works with its counterparts in the DRC to amplify expert Congolese voices addressing the root causes of violence against women and girls, and ensure those voices are at the forefront of the policy, advocacy and philanthropic conversations here in the US and around the world.

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, hoped to improve access to cesarean sections and other obstetric interventions. His first patient, however, was not a mother in labor, but instead a woman who had been brutally raped in war.

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). In 2018, Dr. Mukwege was named the recipient of the

PANZI FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES (continued)

Nobel Peace Prize for his efforts to end the use of sexual violence as weapon of war and armed conflict.

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. For 20 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. It also serves as the general reference hospital for more than 400,000 people in the Ibanda Health Zone of Bukavu, providing services that encompass everything from pediatrics to dentistry, radiology to cardiology, and more.

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, half 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. 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.

PANZI FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES (continued)

Current programs include:

Maison Dorcas and Rural 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 adjacent 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.

Some women, however, choose to return to their rural homes as rapidly as they can rather than seek after-care in Bukavu. When this is the case, the survivors forego the urban Maison Dorcas option in order to return home. To address this, Panzi has created "Rural Dorcas" programs to provide livelihoods and other services to women in their own communities. These services provide job skills training and access to the other pillars of the holistic healing model in rural communities.

One Stop Centers, Mobile Clinics, and Rapid Response Missions

Unfortunately, many rapes are committed in hard to reach, last-mile communities that have little access to health care infrastructure or holistic care services. Panzi is committed to providing as many survivors with comprehensive post-rape care as possible, regardless of their distance from our health centers. To do this, we deploy mobile clinics and rapid response missions to treat mass rapes in active conflict zones, and partner with rural health centers to provide them with post-rape kits. In addition, we are expanding access to holistic care by building "One Stop Centers," which are essentially "mini-Panzis" where survivors can access all four pillars of our holistic healing model in one location – thus negating the need to travel to multiple aid agencies or organizations to receive comprehensive care. Panzi currently has two rural One Stop Centers, Mulamba Hospital and Bulenga Hospital, and one in the urban capital of Kinshasa, called the Panzi Clinic.

Addressing the Intersection of Violence Against Women and Violence Against the Earth

Violence against women and violence against the earth are intrinsically linked. This has never been more evident than in the DRC, which is home to an estimated \$24 trillion in untapped mineral deposits. These minerals are used to power everything from cell phones to laptops, electric cars to

PANZI FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES (continued)

LED lights, and more. Armed militias use rape as a weapon of war to terrorize and control communities where these resources are located, in order to profit from their illegal extraction.

As Panzi expands its One Stop Center model, the organization is committed to preventing further damage to our earth and communities by ensuring that all its new facilities are equipped with sustainable, renewable clean energy — particularly through the installation of solar panels. Panzi’s new One Stop Center swill feature solar panels to power of the facilities’ buildings and equipment, and serve as examples for other health care centers on the importance of prioritizing clean energy. In addition, Panzi is expanding its suite of jobs skills training opportunities as part of its socio-economic pillar to include training in renewable energy-related fields. This includes (but is not limited to) installation of solar panels, cleaning, entrepreneurship and business, and surveying. Panzi is also actively exploring community-wide solutions, including mini-grids and passive income generation strategies for survivor.

Badilika - Investment in Community and Civil Society and Global Advocacy

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.

In the USA, Panzi Foundation aims to raise awareness about the crisis in Congo and the scourge of violence against women more broadly. We work to help organize and activate individuals and groups in effective advocacy campaigns in support of policies that can help end the conflicts at the root of this violence. The organization will continue to use its platform to strengthen Dr. Mukwege’s voice and to help position Panzi Hospital and Foundation’s doctors, nurses, and other practitioners as thought-leaders and experts.

The driving motivation of Dr. Denis Mukwege and the Panzi Hospital and Foundation family is the fight to end the 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 our Hospital's doorstep.

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.

Previously reported	New reporting
Unrestricted net assets	Net assets without donor restrictions
Temporarily restricted	Net assets with donor restrictions
Permanently restricted	

In the year ended 2021, 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, 2020, 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's Forms 990, Return of Organization Exempt from Income Tax for the years ending December 31, 2019, 2020, and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

PANZI FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$12,181 of in-kind contributions for the year ended December 31, 2021.

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 \$1,998,769 in current assets and \$83,379 in current liabilities at December 31, 2021, with a current ratio 24:1. Among the current assets, \$579,283 is cash and cash equivalents. The general expenses of the organization were \$1,181,056 in 2021, and there was \$2,502,259 in current revenue to cover the expenses.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at December 31, 2021:

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

PANZI FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CASH AND CASH EQUIVALENTS

The organization's cash, \$579,283 as of December 31, 2021, is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per banking institution, or certain non-interest bearing accounts that are fully insured by the FDIC. As of December 31, 2021, the organization had cash that was exposed to uninsured deposit risk in the amount of \$76,627.

NOTE 6 - SUBSEQUENT EVENTS

Panzi Foundation's management has evaluated subsequent events for the period from January 1, 2021 through March 23, 2022, 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, 2021, 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 23, 2022

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.

Cypress, California
March 23, 2022