



Financial Statements
June 30, 2017 and 2016

Los Cabos Children's Foundation

Los Cabos Children's Foundation

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June 30, 2017 and 2016

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Los Cabos Children's Foundation
Eagan, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Los Cabos Children's Foundation (LCCF) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Cabos Children's Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
March 12, 2018

Los Cabos Children's Foundation
 Statements of Financial Position
 June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 1,897,685	\$ 1,640,048
Cash - fiscal agent	-	6,000
Promises to give, net	278,233	204,337
Prepaid expenses	6,000	-
Land	136,846	136,846
Donated equipment in transit	19,000	19,000
	\$ 2,337,764	\$ 2,006,231
Liabilities and Net Assets		
Accounts payable	\$ -	\$ 418
Other liabilities	14,742	-
Grant payable	-	43,500
Fiscal agent payable	-	6,000
Deferred revenue	5,868	-
Total liabilities	20,610	49,918
Net Assets		
Unrestricted	2,121,572	1,765,343
Temporarily restricted	195,582	190,970
Total net assets	2,317,154	1,956,313
	\$ 2,337,764	\$ 2,006,231

Los Cabos Children's Foundation
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Unrestricted Revenue, Support, and Gains		
Contributions	\$ 158,533	\$ 227,319
Proud partners program	102,690	88,851
In-kind contributions	52,894	46,549
Gross special events revenue (including \$83,887 and \$101,002 of in-kind contributions for 2017 and 2016, respectively)	1,182,652	1,046,944
Less cost of direct benefits to donors	<u>(143,068)</u>	<u>(113,913)</u>
Net special events revenue	1,039,584	933,031
Interest income	1,902	668
Exchange rate gain (loss)	11,477	(44,703)
Net assets released from restrictions for operating purposes	68,495	127,576
Other	<u>-</u>	<u>3</u>
Total unrestricted revenue, support and gains	<u>1,435,575</u>	<u>1,379,294</u>
Expenses		
Program	855,454	708,469
Management and general	116,904	122,312
Fundraising	<u>106,988</u>	<u>121,300</u>
Total expenses	<u>1,079,346</u>	<u>952,081</u>
Change in Unrestricted Net Assets	356,229	427,213
Temporarily Restricted Net Assets		
Contributions	73,107	50,000
Net assets released from restrictions	<u>(68,495)</u>	<u>(127,576)</u>
Change in Temporarily Restricted Net Assets	<u>4,612</u>	<u>(77,576)</u>
Change in Net Assets	360,841	349,637
Net Assets, Beginning of Year	<u>1,956,313</u>	<u>1,606,676</u>
Net Assets, End of Year	<u><u>\$ 2,317,154</u></u>	<u><u>\$ 1,956,313</u></u>

Los Cabos Children's Foundation
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Support Services		Total
		Management and General	Fundraising and Development	
Medical programs and coordination	\$ 135,206	\$ -	\$ -	\$ 135,206
Grants	589,000	-	-	589,000
Entertainment	-	-	77,580	77,580
Advertisement	-	-	-	-
Food and beverage	-	-	54,826	54,826
Payroll	125,097	18,204	59,857	203,158
Travel	6,151	-	2,121	8,272
Recognition/awards	-	-	10,662	10,662
Transaction fees	-	-	-	-
Development	-	-	44,844	44,844
Rent	-	6,640	-	6,640
Bank charges	-	2,993	-	2,993
Professional fees & consulting	-	72,853	-	72,853
Phone	-	2,412	-	2,412
Printing & reproduction	-	-	-	-
Supplies	-	1,238	166	1,404
Other	-	6,153	-	6,153
Insurance	-	4,596	-	4,596
Loss on uncollectible promises to give	-	1,815	-	1,815
	<u>855,454</u>	<u>116,904</u>	<u>250,056</u>	<u>1,222,414</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(143,068)	(143,068)
	<u>-</u>	<u>-</u>	<u>(143,068)</u>	<u>(143,068)</u>
Total expenses included in the expense section on the statements of activities	<u>\$ 855,454</u>	<u>\$ 116,904</u>	<u>\$ 106,988</u>	<u>\$ 1,079,346</u>

Los Cabos Children's Foundation
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Support Services		Total
		Management and General	Fundraising and Development	
Medical programs and coordination	\$ 343,479	\$ -	\$ -	\$ 343,479
Grants	275,836	-	-	275,836
Entertainment	-	-	52,367	52,367
Advertisement	-	-	40,000	40,000
Food and beverage	-	-	57,159	57,159
Payroll	88,679	13,324	43,156	145,159
Travel	475	-	2,366	2,841
Recognition/awards	-	-	4,387	4,387
Transaction fees	-	-	1,464	1,464
Development	-	43	27,459	27,502
Rent	-	18,400	-	18,400
Bank charges	-	3,545	-	3,545
Professional fees & consulting	-	63,035	-	63,035
Phone	-	1,334	-	1,334
Printing & reproduction	-	3,743	-	3,743
Supplies	-	2,037	6,285	8,322
Other	-	4,421	570	4,991
Insurance	-	2,430	-	2,430
Loss on uncollectible promises to give	-	10,000	-	10,000
	<u>708,469</u>	<u>122,312</u>	<u>235,213</u>	<u>1,065,994</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(113,913)	(113,913)
	<u>-</u>	<u>-</u>	<u>(113,913)</u>	<u>(113,913)</u>
Total expenses included in the expense section on the statements of activities	<u>\$ 708,469</u>	<u>\$ 122,312</u>	<u>\$ 121,300</u>	<u>\$ 952,081</u>

Los Cabos Children's Foundation
 Statements of Cash Flows
 Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 360,841	\$ 349,637
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on uncollectible promises to give	1,815	10,000
Noncash donation of bloodmobile	-	(19,000)
Contribution restricted for purchase of land	-	(128,369)
Changes in operating assets and liabilities		
Promises to give	(75,711)	74,694
Prepaid expenses	(6,000)	-
Accounts payable	(418)	(8,765)
Other liabilities	14,742	-
Grants payable	(43,500)	43,500
Deferred revenue	5,868	-
Net Cash from Operating Activities	257,637	321,697
Cash Flows from Investing Activities		
Purchase of land	-	(136,846)
Net Cash used for Financing Activities	-	(136,846)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for purchase of land	-	128,369
Net Change in Cash and Cash Equivalents	257,637	313,220
Cash and Cash Equivalents, Beginning of Year	1,640,048	1,326,828
Cash and Cash Equivalents, End of Year	\$ 1,897,685	\$ 1,640,048

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Los Cabos Children's Foundation (LCCF) is a nonprofit organization established to assist children by providing medical, educational, and humanitarian assistance in the Los Cabos area and in the United States.

Cash and Cash Equivalents

LCCF considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held as the fiscal agent nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded 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 statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2017 and 2016, the allowance was \$3,740.

Land

LCCF acquired land located in San Jose Del Cabo, Los Cabos during the year ended June 30, 2016. The land's future use is unknown. LCCF reviews the carrying value of the land 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 years ended June 30, 2017 and 2016.

Donated Equipment in Transit

LCCF has received notification of a donation of a bloodmobile to the Organization. The donation has been recorded at fair value on the date of donation. LCCF is waiting for the bloodmobile to be delivered across the border and as a result, no amount has been depreciated.

Grants Payable

LCCF makes grants to certain charitable organizations within Los Cabos and the surrounding area that complement their mission to assist children by providing medical, educational, and humanitarian assistance in the Los Cabos area. The liability for future committed payments to be made to the grantees is included in the statements of financial position.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of LCCF and/or the passage of time.

LCCF reports contributions restricted by donors as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of LCCF. As of June 30, 2017 and 2016 there were no permanently restricted net assets.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to LCCF's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. LCCF records donated professional services at the respective fair values of the services received (Note 4).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Fund Raising Costs

Fund raising costs are expensed when the related event takes place.

Income Taxes

LCCF is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). LCCF is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, LCCF is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. LCCF has determined it 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.

LCCF believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. LCCF would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Financial Instruments and Credit Risk

LCCF has concentrations of credit risk for cash by maintaining deposits in banks located in Mexico which are not covered by federal insurance. The maximum loss that would have resulted from that risk totaled \$223,817 and \$164,912 at June 30, 2017 and 2016, respectively. In addition, LCCF has concentration of credit risk for cash by maintaining deposits in excess of federally insured limits of \$1,427,000 and \$1,231,136 at June 30, 2017 and 2016, respectively. LCCF manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. To date, LCCF has not experienced losses in any of these accounts.

Credit risk for promises to give is concentrated as well due to substantially all of the balances being due from board members.

Foreign Currency Translation

LCCF operates an office in Mexico. The functional currency of this office is the local currency. The financial transactions of this office have been translated into U.S. dollars. All statements of financial position accounts have been translated using the exchange rate in effect at the statements of financial position date. Statements of activities amounts have been translated using the daily exchange rate and aggregate exchange rate gains and losses are included in the statements of activities.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets

Subsequent Events

LCCF has evaluated subsequent events through March 12, 2018, the date the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017 and 2016:

	2017	2016
Within one year	\$ 235,298	\$ 91,132
In one to five years	50,000	124,025
	285,298	215,157
Less discount to net present value (3.5%)	(3,325)	(7,080)
Less allowance for uncollectible promises to give	(3,740)	(3,740)
	\$ 278,233	\$ 204,337

At June 30, 2017 and 2016, five and three donors accounted for 84% and 92% of total promises to give, respectively.

Note 3 - Fiscal Agent

During the years ended June 30, 2017 and 2016, LCCF was a fiscal agent for various organizations supporting the mission of LCCF. LCCF received and disbursed funds on behalf of those organizations. Fiscal agent funds totaled \$0 and \$6,000 as of June 30, 2017 and 2016, respectively. The amounts were included in cash - fiscal agent and fiscal agent payable in the accompanying statements of financial position. Since the Organization is a fiscal agent, these activities are appropriately not included in the accompanying statements of activities.

Total amounts received and disbursed relating to these activities were \$70,012 and \$76,012, respectively, for the year ended June 30, 2017. Total amounts received and disbursed relating to these activities were \$12,911 and \$6,911, respectively, for the year ended June 30, 2016.

Note 4 - Donated Professional Services and Materials

LCCF received donated professional services and medical supplies as follows during the years ended June 30, 2017 and 2016:

	2017			
	Program Services	Management and General	Fundraising and Development	Total
Golf	\$ -	\$ -	\$ 83,887	\$ 83,887
Transportation	\$ 5,590	\$ -	\$ -	\$ 5,590
Rent	-	6,641	-	6,641
Printing and reproduction	-	5,435	-	5,435
Accounting services	-	28,800	-	28,800
Other	-	-	6,428	6,428
	\$ 5,590	\$ 40,876	\$ 6,428	\$ 52,894

	2016			
	Program Services	Management and General	Fundraising and Development	Total
Golf	\$ -	\$ -	\$ 101,002	\$ 101,002
Transportation	\$ 4,416	\$ -	\$ -	\$ 4,416
Medical equipment	19,000	-	-	19,000
Rent	-	18,400	-	18,400
Printing and reproduction	-	3,743	-	3,743
Accounting services	-	990	-	990
	\$ 23,416	\$ 23,133	\$ -	\$ 46,549

Note 5 - Related Party Transactions

Promises to give at June 30, 2017 and 2016, include amounts from several board members with gross recorded values of \$99,800 and \$108,050, respectively, which do not include any reduction for discounts. In addition, several board members contributed amounts to LCCF totaling approximately \$709,676 and \$758,845 for the years ended June 30, 2017 and 2016, respectively. In-kind good and services provided by board members totaled \$36,481 and \$24,763 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2016, LCCF purchased land from a board member for \$128,369.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or years at June 30, 2017 and 2016:

	2017	2016
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 122,475	\$ 190,970
Restricted by donor for Cancer Registry	73,107	-
	\$ 195,582	\$ 190,970

Net assets were released from restrictions as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Expiration of time restrictions	\$ 68,495	\$ 127,576