



Financial Statements  
June 30, 2020 and 2019

# Los Cabos Children's Foundation

|                                       |   |
|---------------------------------------|---|
| Independent Auditor's Report.....     | 1 |
| Financial Statements                  |   |
| Statements of Financial Position..... | 3 |
| Statements of Activities.....         | 4 |
| Statement of Functional Expenses..... | 5 |
| Statements of Cash Flows.....         | 7 |
| Notes to Financial Statements.....    | 8 |



## 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, 2020 and 2019, 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, 2020 and 2019, 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.

**Change in Accounting Principle**

As discussed in Note 1 to the financial statements, LCCF has adopted the provisions of Financial Accounting Standards 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the June 30, 2019 statement of cash flows has been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
October 5, 2021

Los Cabos Children's Foundation  
 Statements of Financial Position  
 June 30, 2020 and 2019

|                                   | 2020                | 2019                |
|-----------------------------------|---------------------|---------------------|
| <b>Assets</b>                     |                     |                     |
| Cash and cash equivalents         | \$ 43,243           | \$ 95,161           |
| Cash - fiscal agent               | 39,798              | 12,811              |
| Cash - restricted                 | 578,998             | 120,134             |
| Cash - endowment                  | 100,000             | 100,000             |
| Promises to give, net             | 190,027             | 264,007             |
| Receivable - land sale            | -                   | 75,000              |
| Equipment, net                    | 2,191               | 2,838               |
| Investments                       | 1,114,179           | 1,373,225           |
|                                   | <u>\$ 2,068,436</u> | <u>\$ 2,043,176</u> |
| <b>Liabilities and Net Assets</b> |                     |                     |
| Accounts payable                  | \$ 43,243           | \$ 555              |
| Other liabilities                 | 19,852              | 21,879              |
| Grant payable                     | 5,272               | 77,062              |
| Fiscal agent payable              | 39,798              | 12,811              |
|                                   | <u>108,165</u>      | <u>112,307</u>      |
| <b>Net Assets</b>                 |                     |                     |
| Without donor restrictions        | 1,032,674           | 1,448,422           |
| With donor restrictions           |                     |                     |
| Purpose restrictions              | 827,597             | 382,447             |
| Perpetual in nature               | 100,000             | 100,000             |
|                                   | <u>1,960,271</u>    | <u>1,930,869</u>    |
|                                   | <u>\$ 2,068,436</u> | <u>\$ 2,043,176</u> |

Los Cabos Children's Foundation  
 Statements of Activities  
 Years Ended June 30, 2020 and 2019

|  | 2020         | 2019         |
|--|--------------|--------------|
| Revenue, Support, and Gains  |              |              |
| Contributions  | \$ 1,188,388 | \$ 89,460    |
| Proud partners program   | 64,708       | 92,157       |
| In-kind contributions  | 91,899       | 105,905      |
| Gross special events revenue (including \$0 and \$114,721 of<br>in-kind contributions for 2020 and 2019, respectively) | 1,059,302    | 975,144      |
| Less cost of direct benefits to donors   | (104,775)    | (193,117)    |
| Net special events revenue   | 954,527      | 782,027      |
| Net investment return  | 15,732       | 28,849       |
| Net assets released from restrictions  | 171,762      | 114,496      |
| Total revenue, support and gains   | 2,487,016    | 1,212,894    |
| Expenses and Losses  |              |              |
| Program services   | 2,563,055    | 1,430,414    |
| Supporting services  |              |              |
| Management and general   | 154,219      | 157,538      |
| Fundraising and development  | 131,291      | 155,439      |
| Total expenses   | 2,848,565    | 1,743,391    |
| Loss on uncollectible promises to give   | -            | 13,145       |
| Loss on exchange rate  | 54,199       | 56,945       |
| Loss on disposal of assets   | -            | 28,338       |
| Total expenses and losses  | 2,902,764    | 1,841,819    |
| Change in Net Assets Without Donor Restrictions  | (415,748)    | (628,925)    |
| Net Assets With Donor Restrictions   |              |              |
| Contributions  | 616,912      | 87,751       |
| Net assets released from restrictions  | (171,762)    | (114,496)    |
| Change in Net Assets With Donor Restrictions   | 445,150      | (26,745)     |
| Change in Net Assets   | 29,402       | (655,670)    |
| Net Assets, Beginning of Year  | 1,930,869    | 2,586,539    |
| Net Assets, End of Year  | \$ 1,960,271 | \$ 1,930,869 |

Los Cabos Children's Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2020

|  | 2020                |                           |                                | Total               |
|--|---------------------|---------------------------|--------------------------------|---------------------|
|  | Program<br>Services | Supporting Services       |                                |                     |
|  |                     | Management<br>and General | Fundraising and<br>Development |                     |
| Grants   | \$ 2,276,658        | \$ -                      | \$ -                           | \$ 2,276,658        |
| Medical  | 69,940              | -                         | -                              | 69,940              |
| Entertainment  | -                   | -                         | 99,523                         | 99,523              |
| Food and beverage  | -                   | -                         | 4,210                          | 4,210               |
| Payroll  | 186,788             | 17,043                    | 83,535                         | 287,366             |
| Travel   | 12,935              | -                         | 16,477                         | 29,412              |
| Recognition and awards   | -                   | -                         | 1,042                          | 1,042               |
| Marketing  | -                   | -                         | 25,893                         | 25,893              |
| Rent   | 6,880               | 9,134                     | -                              | 16,014              |
| Bank charges   | -                   | 15,529                    | 198                            | 15,727              |
| Professional fees and consulting   | -                   | 93,972                    | 2,061                          | 96,033              |
| Phone  | 2,228               | 1,376                     | -                              | 3,604               |
| Supplies   | 7,439               | 1,030                     | -                              | 8,469               |
| Depreciation   | -                   | 1,370                     | -                              | 1,370               |
| Other  | 187                 | 12,475                    | 3,127                          | 15,789              |
| Insurance  | -                   | 2,290                     | -                              | 2,290               |
|  | <u>2,563,055</u>    | <u>154,219</u>            | <u>236,066</u>                 | <u>2,953,340</u>    |
| Less expenses included with<br>revenues on the statement<br>of activities            |                     |                           |                                |                     |
| Cost of direct benefits<br>to donors   | -                   | -                         | (104,775)                      | (104,775)           |
|  | <u>-</u>            | <u>-</u>                  | <u>(104,775)</u>               | <u>(104,775)</u>    |
| Total expenses included in the<br>expense section on the<br>statements of activities | <u>\$ 2,563,055</u> | <u>\$ 154,219</u>         | <u>\$ 131,291</u>              | <u>\$ 2,848,565</u> |

Los Cabos Children's Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2019

|  | 2019                |                           |                                | Total               |
|--|---------------------|---------------------------|--------------------------------|---------------------|
|  | Program<br>Services | Support Services          |                                |                     |
|  |                     | Management<br>and General | Fundraising and<br>Development |                     |
| Grants   | \$ 1,223,349        | \$ -                      | \$ -                           | \$ 1,223,349        |
| Medical  | 47,442              | -                         | -                              | 47,442              |
| Entertainment  | -                   | -                         | 117,398                        | 117,398             |
| Food and beverage  | -                   | -                         | 73,921                         | 73,921              |
| Payroll  | 153,169             | 15,858                    | 100,592                        | 269,619             |
| Travel   | 4,526               | -                         | 18,277                         | 22,803              |
| Recognition and awards   | -                   | -                         | 1,798                          | 1,798               |
| Marketing  | -                   | -                         | 22,010                         | 22,010              |
| Rent   | -                   | 11,850                    | -                              | 11,850              |
| Bank charges   | -                   | 5,422                     | -                              | 5,422               |
| Professional fees and consulting   | -                   | 86,780                    | 5,684                          | 92,464              |
| Phone  | 1,517               | 867                       | -                              | 2,384               |
| Supplies   | 411                 | 5,429                     | 1,450                          | 7,290               |
| Depreciation   | -                   | 1,091                     | -                              | 1,091               |
| Other  | -                   | 28,012                    | 7,426                          | 35,438              |
| Insurance  | -                   | 2,229                     | -                              | 2,229               |
|  | <u>1,430,414</u>    | <u>157,538</u>            | <u>348,556</u>                 | <u>1,936,508</u>    |
| Less expenses included with<br>revenues on the statement<br>of activities            |                     |                           |                                |                     |
| Cost of direct benefits<br>to donors   | -                   | -                         | (193,117)                      | (193,117)           |
|  | <u>-</u>            | <u>-</u>                  | <u>(193,117)</u>               | <u>(193,117)</u>    |
| Total expenses included in the<br>expense section on the<br>statements of activities | <u>\$ 1,430,414</u> | <u>\$ 157,538</u>         | <u>\$ 155,439</u>              | <u>\$ 1,743,391</u> |



Los Cabos Children's Foundation  
Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

|  | 2020        | 2019<br>(Adjusted) |
|--|-------------|--------------------|
| Operating Activities   |             |                    |
| Change in net assets   | \$ 29,402   | \$ (655,670)       |
| Adjustments to reconcile change in net assets to net cash from (used for) operating activities |             |                    |
| Depreciation   | 1,370       | 1,091              |
| Loss on uncollectible promises to give   | -           | 13,145             |
| Loss on disposal of assets   | -           | 28,338             |
| Realized and unrealized (gain) loss on investments   | (12,442)    | 29,587             |
| Changes in operating assets and liabilities  |             |                    |
| Promises to give   | 73,980      | 147,590            |
| Accounts payable   | 42,688      | (2,520)            |
| Other liabilities  | (2,027)     | 7,023              |
| Grants payable   | (71,790)    | 51,842             |
| Net Cash from (used for) Operating Activities  | 61,181      | (379,574)          |
| Investing Activities   |             |                    |
| Acquisition of property and equipment  | (723)       | (13,267)           |
| Proceeds from sale of land   | 75,000      | 40,000             |
| Proceeds from sale and maturity of investments   | 4,558,642   | 6,235,735          |
| Purchases of investments   | (4,287,154) | (5,922,501)        |
| Net Cash from Investing Activities   | 345,765     | 339,967            |
| Net Change in Cash, Cash Equivalents, and Restricted Cash                                      | 406,946     | (39,607)           |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year                                 | 315,295     | 354,902            |
| Cash, Cash Equivalents, and Restricted Cash, End of Year                                       | \$ 722,241  | \$ 315,295         |
| Reconciliation of Cash, Cash Equivalents, and Restricted Cash                                  |             |                    |
| Cash and cash equivalents  | \$ 43,243   | \$ 95,161          |
| Cash - restricted  | 578,998     | 120,134            |
| Cash - endowment   | 100,000     | 100,000            |
| Total cash, cash equivalents, and restricted cash  | \$ 722,241  | \$ 315,295         |

## **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 and Restricted Cash**

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. Cash restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

### **Receivables**

Receivables consist primarily of noninterest-bearing amounts due for the sale of land. Allowance for uncollectible accounts receivable is determined based on historical experience, and an assessment of economic conditions and a review of subsequent collections. At June 30, 2020 and 2019, the allowance was \$0.

### **Promises to Give**

LCCF records unconditional promises to give 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 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, 2020 and 2019, the allowance was \$0 and \$250,000, respectively.

### **Investments**

LCCF records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Land**

LCCF acquired land located in San Jose Del Cabo, Los Cabos during the year ended June 30, 2016. 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. The land was sold during the year ended June 30, 2019.

**Equipment**

Equipment is stated at cost, or fair value at date of acquisition for donated property. Depreciation on equipment is computed using the straight-line method over an estimate useful life of three to five years. When assets are retired or otherwise disposed of, the recorded value and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected as revenue or expense for the period. Equipment purchased at a cost of \$500 or less is expensed when acquired.

**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. LCCF recognizes grants as expenses at the time recipients are entitled to receive them. Generally, this occurs when the board of directors approves a specific grant, or when management, pursuant to grant-authorization policies established by the board of directors, approves a grant. Unconditional grants approved but not yet disbursed are reported as grants payable in the statement of financial position. Conditional grants approved but contingent upon fulfillment of certain specified conditions by the grantee are not recorded until the conditions have been met.

**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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor 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 reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

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, 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**

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 5).

**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. All expenses are coded directly to each function, except for payroll expenses that are allocated based upon management's estimate of time and effort.

**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.

**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.

### **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 \$466,291 and \$143,203 at June 30, 2020 and 2019, 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. Investments consists of money market funds and U.S Government Treasury bills of a short- term nature in which the fair value is not expected to fluctuate significantly.

### **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.

### **Reclassifications**

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.

### **Change in Accounting Principle**

As of July 1, 2019, LCCF has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standards improve the usefulness and understandability of the LCCFs' financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way LCCF recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

As of July 1, 2019, LCCF has adopted the provisions of Accounting Standards Update ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. Retrospective application of the amendment is required. LCCF has adopted this standard as management believes that this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows.

The impact of adopting ASU 2016-18 on the 2019 Statement of Cash Flows resulted in an increase in cash, cash equivalents and restricted cash balance at July 1, 2018 of \$173,204, an increase in cash, cash equivalents and restricted cash balance at June 30, 2019 of \$220,134, an increase in cash flow used for operating activities of \$46,930 for the year ended June 30, 2019, and an increase in net change in cash, cash equivalents and restricted cash of \$46,930 for the year ended June 30, 2019.

### Subsequent Events

LCCF has evaluated subsequent events through October 5, 2021, the date the financial statements were available to be issued.

### Note 2 - Liquidity and Availability

LCCF strives to maintain liquid financial assets enough to cover twelve months of general expenditures. Financial assets in excess of monthly cash requirements are invested in money markets or Treasury Bonds through UBS Financial and other short-term investments.

LCCF manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following table reflects LCCF's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of restrictions or internal board designations.

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| Cash and cash equivalents                                 | \$ 43,243           | \$ 95,161           |
| Promises to give, expected to be received within one year | 50,000              | 1,694               |
| Receivable - land sale                                    | -                   | 75,000              |
| Investments   | 1,114,179           | 1,373,225           |
|   | <u>\$ 1,207,422</u> | <u>\$ 1,545,080</u> |

**Note 3 - Fair Value Measurements and Disclosures**

LCCF reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liability, 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 or liability 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 or liability 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 or liabilities that can be accessed at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability 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 or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at June 30, 2020:

|  | <u>Total</u> | <u>Quoted Prices in<br/>Active Markets<br/>(Level 1)</u> | <u>Other Observable<br/>Inputs<br/>(Level 2)</u> | <u>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|--|--------------|--|--|--|
| June 30, 2020                            |              |  |  |  |
| Cash and money market<br>funds (at cost) | \$ 1,114,179 | \$ -   | \$ -   | \$ -   |

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

|  | <u>Total</u>        | <u>Quoted Prices in<br/>Active Markets<br/>(Level 1)</u> | <u>Other Observable<br/>Inputs<br/>(Level 2)</u> | <u>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|--|---------------------|--|--|--|
| June 30, 2019                            |                     |  |  |  |
| Cash and money market<br>funds (at cost) | \$ 376,255          | \$ -   | \$ -   | \$ -   |
| U.S. Government obligations              | 996,970             |  | 996,970  |  |
|  | <u>\$ 1,373,225</u> | <u>\$ -</u>  | <u>\$ 996,970</u>                                | <u>\$ -</u>                                  |

#### Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Within one year                                   | \$ 50,000         | \$ 131,694        |
| In one to five years                              | 150,000           | 400,000           |
|   | <u>200,000</u>    | <u>531,694</u>    |
| Less discount to net present value (3.5%)         | (9,973)           | (17,687)          |
| Less allowance for uncollectible promises to give | -                 | (250,000)         |
|   | <u>\$ 190,027</u> | <u>\$ 264,007</u> |

At June 30, 2020 and 2019, one donor accounted for 100% and 70% of total promises to give, respectively.

LCCF has received a conditional promise to give totaling \$200,000, of which \$150,000 remains conditional at June 30, 2020 and 2019. Conditional promises to give are recognized only when the conditions on which they depend are met and the promises become unconditional.



**Note 5 - Donated Professional Services and Materials**

LCCF received donated professional services and medical supplies as follows during the years ended June 30, 2020 and 2019:

|                                  | 2020             |                        |                             | Total             |
|----------------------------------|------------------|------------------------|-----------------------------|-------------------|
|                                  | Program Services | Management and General | Fundraising and Development |                   |
| Medical supplies                 | \$ 21,689        | \$ -                   | \$ -                        | \$ 21,689         |
| Entertainment                    | -                | -                      | 24,190                      | 24,190            |
| Food and beverage                | -                | -                      | 2,210                       | 2,210             |
| Travel                           | 3,450            | -                      | 8,500                       | 11,950            |
| Rent                             | -                | 100                    | -                           | 100               |
| Professional fees and consulting | -                | 28,800                 | 2,960                       | 31,760            |
|                                  | <u>\$ 25,139</u> | <u>\$ 28,900</u>       | <u>\$ 37,860</u>            | <u>\$ 91,899</u>  |
|                                  | 2019             |                        |                             | Total             |
|                                  | Program Services | Management and General | Fundraising and Development |                   |
| Medical supplies                 | \$ 41,781        | \$ -                   | \$ -                        | \$ 41,781         |
| Medical services                 | 3,655            | -                      | -                           | 3,655             |
| Entertainment                    | -                | -                      | 53,499                      | 53,499            |
| Food and beverage                | -                | -                      | 11,774                      | 11,774            |
| Travel                           | 3,582            | -                      | 267                         | 3,849             |
| Marketing                        | -                | -                      | 1,182                       | 1,182             |
| Rent                             | -                | 4,100                  | 40,871                      | 44,971            |
| Professional fees and consulting | -                | 28,800                 | 3,987                       | 32,787            |
| Other                            | -                | -                      | 27,128                      | 27,128            |
|                                  | <u>\$ 49,018</u> | <u>\$ 32,900</u>       | <u>\$ 138,708</u>           | <u>\$ 220,626</u> |

**Note 6 - Fiscal Agent**

During the years ended June 30, 2020 and 2019, 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 \$39,798 and \$12,811 as of June 30, 2020 and 2019, 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 \$130,778 and \$103,791, respectively, for the year ended June 30, 2020. Total amounts received and disbursed relating to these activities were \$187,542 and \$182,914, respectively, for the year ended June 30, 2019.

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

|  | 2020       | 2019       |
|--|------------|------------|
| Subject to expenditure for specified purpose   |            |            |
| COVID-19   | \$ 602,221 | \$ -       |
| Cancer Registry  | -          | 62,085     |
| Special medical cases  | 15,285     | 52,676     |
| Other  | 20,064     | 5,373      |
|  | 637,570    | 120,134    |
| Subject to the passage of time   |            |            |
| Promises to give that are not restricted by donors,<br>but which are unavailable for expenditure until due | 190,027    | 262,313    |
| Donor-restricted endowment funds   |            |            |
| Original donor-restricted gift amounts required to<br>be maintained in perpetuity by donor                 | 100,000    | 100,000    |
|  | \$ 927,597 | \$ 482,447 |

Net assets were released from donor restrictions by occurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

|                                      | 2020       | 2019       |
|--------------------------------------|------------|------------|
| Expiration of time restrictions      | \$ 72,286  | \$ 73,675  |
| Satisfaction of purpose restrictions |            |            |
| Cancer registry                      | 62,085     | 11,022     |
| Special medical cases                | 37,391     | 22,018     |
| Other                                | -          | 7,781      |
|                                      | \$ 171,762 | \$ 114,496 |

**Note 8 - Endowment Funds**

LCCF's endowment funds consist of a donor restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of LCCF has interpreted the South Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020, there were no such donor stipulations. As a result of this interpretation, LCCF retains in perpetuity (a) the original value of initial and subsequent gifts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The following summarizes endowment net assets at June 30, 2020:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|--|-------------------------------|----------------------------|------------|
| <u>June 30, 2020</u>   |                               |                            |            |
| Donor restricted endowment funds   |                               |                            |            |
| Original donor-restricted gift amount<br>and amounts required to be maintained<br>in perpetuity by donor | \$ -                          | 100,000                    | \$ 100,000 |
|  |                               |                            |            |

The following summarizes endowment net assets at June 30, 2019:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|--|-------------------------------|----------------------------|------------|
| <u>June 30, 2019</u>   |                               |                            |            |
| Donor restricted endowment funds   |                               |                            |            |
| Original donor-restricted gift amount<br>and amounts required to be maintained<br>in perpetuity by donor | \$ -                          | \$ 100,000                 | \$ 100,000 |
|  |                               |                            |            |

LCCF is in the process of setting up investment policies including planned spending policies as it relates to the endowed funds.

The following summarizes the change in endowment net assets for the year ended June 30, 2020:

| <u>June 30, 2020</u>                    | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|---|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ -                                  | \$ 100,000                         | \$ 100,000        |
| Endowment net assets, end of year       | <u>\$ -</u>                           | <u>\$ 100,000</u>                  | <u>\$ 100,000</u> |

The following summarizes the change in endowment net assets for the year ended June 30, 2019:

| <u>June 30, 2019</u>                    | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|---|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ -                                  | \$ 50,000                          | \$ 50,000         |
| Contributions and bequests              | -                                     | 50,000                             | 50,000            |
| Endowment net assets, end of year       | <u>\$ -</u>                           | <u>\$ 100,000</u>                  | <u>\$ 100,000</u> |

**Note 9 - Related Party Transactions**

Several board members contributed amounts to LCCF totaling approximately \$784,000 and \$435,000 for the years ended June 30, 2020 and 2019, respectively. In-kind good and services provided by board members totaled \$31,417 and \$28,953 for the years ended June 30, 2020 and 2019, respectively.

**Note 10 - COVID-19 Pandemic**

During 2020, the world-wide pandemic impacted national and global economies. LCCF is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to LCCF's financial position is not known.