



Financial Statements
June 30, 2021 and 2020

Los Cabos Children's Foundation

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements 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, 2021 and 2020, 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, 2021 and 2020, 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.

Eide Bailly LLP

Sioux Falls, South Dakota
February 9, 2022

Los Cabos Children's Foundation
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 41,400	\$ 43,243
Cash - fiscal agent	85,909	39,798
Cash - restricted	168,906	578,998
Promises to give, net	143,351	190,027
Equipment, net	640	2,191
Investments	1,062,199	1,114,179
Cash - endowment	100,000	100,000
	\$ 1,602,405	\$ 2,068,436
Liabilities and Net Assets		
Accounts payable	\$ 10,540	\$ 43,243
Other liabilities	34,743	19,852
Grant payable	16,525	5,272
Fiscal agent payable	85,909	39,798
	147,717	108,165
Net Assets		
Without donor restrictions	1,042,431	1,032,674
With donor restrictions		
Purpose restrictions	168,906	637,570
Time restricted for future periods	143,351	190,027
Perpetual in nature	100,000	100,000
	1,454,688	1,960,271
	\$ 1,602,405	\$ 2,068,436

Los Cabos Children's Foundation
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021	2020
Revenue, Support, and Gains		
Contributions	\$ 404,128	\$ 1,188,388
Proud partners program	62,891	64,708
In-kind contributions	193,069	91,899
Gross special events revenue	884,983	1,059,302
Less cost of direct benefits to donors	(42,025)	(104,775)
Net special events revenue	842,958	954,527
Net investment return	757	15,732
Net assets released from restrictions	518,211	171,762
Total revenue, support and gains	2,022,014	2,487,016
Expenses and Losses		
Program services	1,715,601	2,563,055
Supporting services		
Management and general	146,963	154,219
Fundraising and development	106,415	131,291
Total expenses	1,968,979	2,848,565
Loss on exchange rate	43,278	54,199
Total expenses and losses	2,012,257	2,902,764
Change in Net Assets Without Donor Restrictions	9,757	(415,748)
Net Assets With Donor Restrictions		
Contributions	2,871	616,912
Net assets released from restrictions	(518,211)	(171,762)
Change in Net Assets With Donor Restrictions	(515,340)	445,150
Change in Net Assets	(505,583)	29,402
Net Assets, Beginning of Year	1,960,271	1,930,869
Net Assets, End of Year	\$ 1,454,688	\$ 1,960,271

Los Cabos Children's Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2021 and 2020

	2021			
	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Grants	\$ 1,393,786	\$ -	\$ -	\$ 1,393,786
Medical	158,623	-	-	158,623
Entertainment	-	-	31,236	31,236
Food and beverage	-	-	9,791	9,791
Payroll	146,034	43,769	63,495	253,298
Travel	3,426	-	1,036	4,462
Recognition and awards	-	-	998	998
Marketing	-	-	14,231	14,231
Rent	2,900	6,292	-	9,192
Bank charges	-	3,273	1,865	5,138
Professional fees and consulting	-	74,012	11,784	85,796
Phone	571	1,269	-	1,840
Supplies	6,543	362	2	6,907
Depreciation	-	1,551	-	1,551
Other	3,718	15,493	14,002	33,213
Insurance	-	942	-	942
	1,715,601	146,963	148,440	2,011,004
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(42,025)	(42,025)
Total expenses included in the expense section on the statements of activities	\$ 1,715,601	\$ 146,963	\$ 106,415	\$ 1,968,979

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

	2020			Total
	Program Services	Support Services		
		Management and General	Fundraising and 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 revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(104,775)	(104,775)
	<u>-</u>	<u>-</u>	<u>(104,775)</u>	<u>(104,775)</u>
Total expenses included in the expense section on the 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
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ (505,583)	\$ 29,402
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Depreciation	1,551	1,370
Realized and unrealized (gain) loss on investments	4,238	(12,442)
Changes in operating assets and liabilities		
Promises to give	46,676	73,980
Accounts payable	(32,703)	42,688
Other liabilities	14,891	(2,027)
Grants payable	11,253	(71,790)
Net Cash (used for) from Operating Activities	(459,677)	61,181
Investing Activities		
Acquisition of property and equipment	-	(723)
Proceeds from sale of land	-	75,000
Proceeds from sale and maturity of investments	847,966	4,558,642
Purchases of investments	(800,224)	(4,287,154)
Net Cash from Investing Activities	47,742	345,765
Net Change in Cash, Cash Equivalents, and Restricted Cash	(411,935)	406,946
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	722,241	315,295
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 310,306	\$ 722,241
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 41,400	\$ 43,243
Cash - restricted	168,906	578,998
Cash - endowment	100,000	100,000
Total cash, cash equivalents, and restricted cash	\$ 310,306	\$ 722,241

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

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, 2021 and 2020, the allowance was \$0.

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.

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 statements 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 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 \$22,742 and \$466,291 at June 30, 2021 and 2020, 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 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.

Subsequent Events

LCCF has evaluated subsequent events through February 9, 2022, 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, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	\$ 41,400	\$ 43,243
Promises to give, expected to be received within one year	50,000	50,000
Investments	1,062,199	1,114,179
	<u>\$ 1,153,599</u>	<u>\$ 1,207,422</u>

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Within one year	\$ 50,000	\$ 50,000
In one to five years	100,000	150,000
	150,000	200,000
Less discount to net present value (3.5%)	(6,649)	(9,973)
	\$ 143,351	\$ 190,027

At June 30, 2021 and 2020, one donor accounted for 100% of total promises to give.

LCCF has received a conditional promise to give totaling \$200,000, of which \$150,000 remains conditional at June 30, 2021 and 2020. Conditional promises to give are recognized only when the conditions on which they depend are met and the promises become unconditional.

Note 4 - Fiscal Agent

During the years ended June 30, 2021 and 2020, 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 \$85,909 and \$39,798 as of June 30, 2021 and 2020, 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 \$105,909 and \$59,799, respectively, for the year ended June 30, 2021. Total amounts received and disbursed relating to these activities were \$130,778 and \$103,791, respectively, for the year ended June 30, 2020.

Note 5 - Donated Professional Services and Materials

LCCF received donated professional services and medical supplies as follows during the years ended June 30, 2021 and 2020:

	2021			
	Program Services	Management and General	Fundraising and Development	Total
Medical	\$ 127,293	\$ -	\$ -	\$ 127,293
Entertainment	-	-	14,325	14,325
Food and beverage	-	-	2,987	2,987
Travel	429	-	-	429
Rent	-	696	-	696
Professional fees and consulting	-	28,800	11,784	40,584
Other	-	-	6,755	6,755
	<u>\$ 127,722</u>	<u>\$ 29,496</u>	<u>\$ 35,851</u>	<u>\$ 193,069</u>
	2020			
	Program Services	Management and General	Fundraising and Development	Total
Medical	\$ 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>

Note 6 - Net Assets with Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose		
COVID-19	\$ 147,774	\$ 602,221
Special medical cases	18,156	15,285
Other	2,976	20,064
	168,906	637,570
Subject to the passage of time		
Promises to give that are not purpose restricted by donors, but which are unavailable for expenditure until due	143,351	190,027
Donor-restricted endowment funds		
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	100,000	100,000
	\$ 412,257	\$ 927,597

Net assets were released from donor restrictions by incurring 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, 2021 and 2020:

	2021	2020
Expiration of time restrictions	\$ 46,676	\$ 72,286
Satisfaction of purpose restrictions		
Cancer registry	-	62,085
Special medical cases	-	37,391
COVID-19	454,446	-
Other	17,089	-
	\$ 518,211	\$ 171,762

Note 7 - 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, 2021, 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2021</u>			
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
	-	100,000	100,000

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

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2020</u>			
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
	-	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, 2021:

<u>June 30, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor 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, 2020:

<u>June 30, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor 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>

Note 8 - Related Party Transactions

Several board members contributed amounts to LCCF totaling approximately \$451,000 and \$784,000 for the years ended June 30, 2021 and 2020, respectively. In-kind goods and services provided by board members totaled approximately \$55,000 and \$31,000 for the years ended June 30, 2021 and 2020, respectively.

Note 9 - Contingency

The ongoing coronavirus pandemic has continued to cause significant uncertainty, volatility, and disruption across economies and financial markets. LCCF continues to closely monitor 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 is not known.