



Financial Statements
June 30, 2019 and 2018

Los Cabos Children's Foundation

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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, 2019 and 2018, 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, 2019 and 2018, 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 Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Sioux Falls, South Dakota
March 9, 2020

Los Cabos Children's Foundation
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018 (Adjusted)
Assets		
Cash and cash equivalents	\$ 95,161	\$ 181,698
Cash - fiscal agent	12,811	8,183
Cash - restricted	120,134	123,204
Cash - endowment	100,000	50,000
Promises to give, net	264,007	424,742
Receivable - land sale	75,000	-
Land held for sale	-	115,000
Donated equipment in transit	-	19,000
Equipment, net	2,838	-
Investments	1,373,225	1,716,046
	\$ 2,043,176	\$ 2,637,873
Liabilities and Net Assets		
Accounts payable	555	3,075
Other liabilities	21,879	14,856
Grant payable	77,062	25,220
Fiscal agent payable	12,811	8,183
	112,307	51,334
Net Assets		
Without donor restrictions	1,448,422	2,077,347
With donor restrictions		
Purpose restrictions	382,447	459,192
Perpetual in nature	100,000	50,000
	1,930,869	2,586,539
	\$ 2,043,176	\$ 2,637,873

Los Cabos Children's Foundation
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018 (Adjusted)
Revenue, Support, and Gains		
Contributions	\$ 89,460	\$ 240,179
Proud partners program	92,157	87,343
In-kind contributions	105,905	95,615
Gross special events revenue (including \$114,721 and \$73,706 of in-kind contributions for 2019 and 2018, respectively)	975,144	1,293,612
Less cost of direct benefits to donors	(193,117)	(132,617)
Net special events revenue	782,027	1,160,995
Net investment return	28,849	7,085
Exchange rate loss	(56,945)	(7,961)
Net assets released from restrictions for operating purposes	114,496	122,475
Total revenue, support and gains	1,155,949	1,705,731
Expenses and Losses		
Program	1,430,414	1,103,183
Management and general	157,538	153,113
Fundraising	155,439	165,417
Total expenses	1,743,391	1,421,713
Loss on uncollectible promises to give	13,145	306,397
Impairment loss on land	-	21,846
Loss on disposal of assets	28,338	-
Total expenses and losses	1,784,874	1,749,956
Change in Net Assets Without Donor Restrictions	(628,925)	(44,225)
Net Assets With Donor Restrictions		
Contributions	87,751	436,085
Net assets released from restrictions	(114,496)	(122,475)
Change in Net Assets With Donor Restrictions	(26,745)	313,610
Change in Net Assets	(655,670)	269,385
Net Assets, Beginning of Year	2,586,539	2,317,154
Net Assets, End of Year	\$ 1,930,869	\$ 2,586,539

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

	2019			Total
	Program Services	Support Services		
		Management and General	Fundraising and Development	
Medical programs and coordination	\$ 47,442	\$ -	\$ -	\$ 47,442
Grants	1,223,349	-	-	1,223,349
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 Revenues on the Statement of Activities				
Cost of direct benefits to donors	-	-	(193,117)	(193,117)
	<u>-</u>	<u>-</u>	<u>(193,117)</u>	<u>(193,117)</u>
Total expenses included in the expense section on the 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
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Support Services		Total
		Management and General	Fundraising and Development	
Medical programs and coordination	\$ 123,578	\$ -	\$ -	\$ 123,578
Grants	848,527	-	-	848,527
Entertainment	-	-	63,717	63,717
Food and beverage	-	-	66,385	66,385
Payroll	123,614	18,922	69,214	211,750
Travel	6,196	-	8,773	14,969
Recognition and awards	-	-	2,515	2,515
Marketing	-	16,386	85,694	102,080
Rent	-	9,899	-	9,899
Bank charges	-	5,656	-	5,656
Professional fees and consulting	-	79,650	-	79,650
Phone	1,268	693	-	1,961
Supplies	-	2,945	1,736	4,681
Other	-	16,853	-	16,853
Insurance	-	2,109	-	2,109
	<u>1,103,183</u>	<u>153,113</u>	<u>298,034</u>	<u>1,554,330</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(132,617)	(132,617)
	<u>-</u>	<u>-</u>	<u>(132,617)</u>	<u>(132,617)</u>
Total expenses included in the expense section on the statements of activities	<u>\$ 1,103,183</u>	<u>\$ 153,113</u>	<u>\$ 165,417</u>	<u>\$ 1,421,713</u>

Los Cabos Children's Foundation
 Statements of Cash Flows
 Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (655,670)	\$ 269,385
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	1,091	-
Loss on uncollectible promises to give	13,145	306,397
Loss on impairment of property	-	21,846
Loss on disposal of assets	28,338	-
Realized loss on investments	29,136	436
Unrealized gain on sale of investments	29,587	(4,882)
Contributions restricted to endowment	(50,000)	(50,000)
Changes in operating assets and liabilities		
Cash temporarily restricted by donors	3,070	(123,204)
Promises to give	147,590	(452,906)
Prepaid expenses	-	6,000
Accounts payable	(2,520)	3,075
Other liabilities	7,023	114
Grants payable	51,842	25,220
Deferred revenue	-	(5,868)
	(397,368)	(4,387)
Net Cash used for Operating Activities		
Investing Activities		
Acquisition of property and equipment	(13,267)	-
Proceeds from sale of land	40,000	-
Proceeds from sale and maturity of investments	6,206,599	-
Purchases of investments	(5,922,501)	(1,711,600)
	310,831	(1,711,600)
Net Cash from (used for) Investing Activities		
Net Change in Cash and Cash Equivalents	(86,537)	(1,715,987)
Cash and Cash Equivalents, Beginning of Year	181,698	1,897,685
Cash and Cash Equivalents, End of Year	\$ 95,161	\$ 181,698

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.

Receivables

Receivables consists primarily of noninterest-bearing amounts due for the sale of land. Allowance for uncollectible accounts receivable is determined based on historical experience, as assessment of economic conditions and a review of subsequent collections. At June 30, 2019 and 2018, the allowance was \$0. Amount was collected in full subsequent to the year ended June 30, 2019.

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, 2019 and 2018, the allowance was \$250,000 and \$253,740, 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. LCCF had determined that the land was impaired during the year ended June 30, 2018 and had recorded an impairment loss of \$21,846. The land was sold during the year ended June 30, 2019.

Donated Equipment in Transit

LCCF had received notification of a donation of a bloodmobile to the Organization. The donation had been recorded at fair value on the date of donation. LCCF was waiting for the bloodmobile to be delivered across the border and as a result, no amount had been depreciated. During 2019, it was determined that the bloodmobile did not meet requirements to be delivered and the donated equipment was written off.

Equipment

Equipment, which consists of office furniture and 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 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. 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:

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

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 6).

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.

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 \$143,203 and \$115,819 at June 30, 2019 and 2018, 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 solely of 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, 2018, The Foundation adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single occasion. The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Subsequent Events

LCCF has evaluated subsequent events through March 9, 2020, 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 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, 2019 and 2018, 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.

	2019	2018
Cash and cash equivalents	\$ 95,161	\$ 181,698
Promises to give, expected to be received within one year	130,000	172,962
Other receivables	75,474	1,580
Undeposited funds	1,220	1,779
Due from Monarcha	-	43,692
Investments	1,373,225	1,716,046
	\$ 1,675,080	\$ 2,117,757

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, 2019:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2019			
U.S. Government obligations	\$ -	\$ 1,373,225	\$ -

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2018			
U.S. Government obligations	\$ -	\$ 1,716,046	\$ -

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	\$ 131,694	\$ 266,169
In one to five years	400,000	430,000
	531,694	696,169
Less discount to net present value (3.5%)	(17,687)	(17,687)
Less allowance for uncollectible promises to give	(250,000)	(253,740)
	\$ 264,007	\$ 424,742

At June 30, 2019 and 2018, one donor accounted for 70% and 56% of total promises to give, respectively.

LCCF has received a conditional promise to give totaling \$200,000 during the year ended June 30, 2018, of which \$150,000 remains conditional at June 30, 2019. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Note 5 - Fiscal Agent

During the years ended June 30, 2019 and 2018, 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 \$12,811 and \$8,183 as of June 30, 2019 and 2018, 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 \$187,542 and \$182,914, respectively, for the year ended June 30, 2019. Total amounts received and disbursed relating to these activities were \$84,625 and \$76,442, respectively, for the year ended June 30, 2018.

Note 6 - Donated Professional Services and Materials

LCCF received donated professional services and medical supplies as follows during the years ended June 30, 2019 and 2018:

	2019			
	Program Services	Management and General	Fundraising and Development	Total
Special events - golf	\$ -	\$ -	\$ 114,721	\$ 114,721
Transportation	\$ 3,582	\$ -	\$ -	\$ 3,582
Medical supplies	41,781	-	-	41,781
Medical services	3,655	-	-	3,655
Rent	-	4,100	-	4,100
Accounting services	-	14,400	-	14,400
Legal fees	-	14,400	-	14,400
Other	-	-	23,987	23,987
	\$ 49,018	\$ 32,900	\$ 23,987	\$ 105,905
	2018			
	Program Services	Management and General	Fundraising and Development	Total
Special events - golf	\$ -	\$ -	\$ 73,706	\$ 73,706
Transportation	\$ 6,091	\$ -	\$ -	\$ 6,091
Rent	-	6,899	-	6,899
Accounting services	-	15,348	-	15,348
Legal fees	-	14,400	-	14,400
Other	-	-	52,877	52,877
	\$ 6,091	\$ 36,647	\$ 52,877	\$ 95,615

Note 7 - Related Party Transactions

Promises to give at June 30, 2019 and 2018, include amounts from several board members with gross recorded values of \$0 and \$61,330, respectively, which do not include any reduction for discounts. In addition, several board members contributed amounts to LCCF totaling approximately \$435,000 and \$485,000 for the years ended June 30, 2019 and 2018, respectively. In-kind good and services provided by board members totaled \$28,953 and \$37,825 for the years ended June 30, 2019 and 2018, respectively.

Note 8 - Net Assets with Donor Restrictions

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

	2019	2018
Subject to Expenditure for Specified Purpose		
Cancer registry	\$ 62,085	\$ 73,107
Special medical cases	52,676	36,943
Other	5,373	13,154
	120,134	123,204
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	262,313	335,988
Donor-restricted endowment funds		
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	100,000	50,000
	\$ 482,447	\$ 509,192

Net assets were released from donor 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, 2019 and 2018:

	2019	2018
Expiration of time restrictions	\$ 73,675	\$ 122,475
Satisfaction of purpose restrictions		
Cancer registry	11,022	-
Special medical cases	22,018	-
Other	7,781	-
	\$ 114,496	\$ 122,475

Note 9 - 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, 2019, there were no such donor stipulations. As a result of this interpretation, permanently restricted net assets are classified at (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by in a manner consistent with the standard of prudence prescribed by UPMIFA. LCCF considers the following factors 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2019</u>			
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
<u>June 30, 2018</u>			
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 50,000	\$ 50,000

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

Los Cabos Children's Foundation

Notes to Financial Statements

June 30, 2019 and 2018

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

<u>June 30, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor 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>

The following summarizes the change in endowment net assets for the year ended June 30, 2018:

<u>June 30, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions and bequests	-	50,000	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>

Note 10 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, LCCF adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of July 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in LCCF's June 30, 2018, financial statements.

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Net Assets			
Unrestricted	\$ 2,077,347	\$ (2,077,347)	\$ -
Temporarily restricted	459,192	(459,192)	-
Permanently restricted	50,000	(50,000)	-
Without donor restrictions	-	2,077,347	2,077,347
With donor restrictions			
Purpose restrictions	-	459,192	459,192
Perpetual in nature	-	50,000	50,000

<u>Statement of Activities</u>	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Temporarily Restricted Net Assets			
Contributions	\$ 386,085	\$ (386,085)	\$ -
Change in Temporarily Restricted Net Assets	263,610	(263,610)	-
Permanently Restricted Net Assets			
Contributions	50,000	(50,000)	-
Net Assets With Donor Restrictions			
Contributions	-	436,085	436,085
Change in Net Assets With Donor Restrictions	-	313,610	313,610