



Financial Statements
June 30, 2016 and 2015

Los Cabos Children's Foundation

Los Cabos Children's Foundation

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June 30, 2016 and 2015

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Los Cabos Children's Foundation (LCCF) which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Sioux Falls, South Dakota
February 7, 2017

Los Cabos Children's Foundation
 Statements of Financial Position
 June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,640,048	\$ 1,326,828
Cash - fiscal agent	6,000	-
Promises to give, net	204,337	289,031
Land	136,846	-
Donated equipment in transit	19,000	-
	\$ 2,006,231	\$ 1,615,859
Liabilities and Net Assets		
Accounts payable	\$ 418	\$ 9,183
Grant payable	43,500	-
Fiscal agent payable	6,000	-
Total liabilities	49,918	18,366
Net Assets		
Unrestricted	1,765,343	1,338,130
Temporarily restricted	190,970	268,546
Total net assets	1,956,313	1,606,676
	\$ 2,006,231	\$ 1,615,859

Los Cabos Children's Foundation
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Unrestricted Revenue, Support, and Gains		
Contributions	\$ 227,319	\$ 103,193
Proud partners program	88,851	-
In-kind contributions	46,549	279,360
Gross special events revenue (including \$101,002 and \$48,293 of in-kind contributions for 2016 and 2015, respectively)	1,046,944	788,571
Less cost of direct benefits to donors	(113,913)	(95,943)
Net special events revenue	933,031	692,628
Change in beneficial interest in assets held by International Community Foundation	-	18,225
Interest income	668	557
Net assets released from restrictions for operating purposes	127,576	419,162
Other	3	2,492
Total unrestricted revenue, support and gains	1,423,997	1,515,617
Expenses		
Program	708,469	1,250,376
Management and general	167,015	454,952
Fundraising	121,300	36,393
Total expenses	996,784	1,741,721
Change in Unrestricted Net Assets	427,213	(226,104)
Temporarily Restricted Net Assets		
Contributions	50,000	396,349
Proud partners program	-	25,850
Net assets released from restrictions	(127,576)	(419,162)
Change in Temporarily Restricted Net Assets	(77,576)	3,037
Change in Net Assets	349,637	(223,067)
Net Assets, Beginning of Year	1,606,676	1,829,743
Net Assets, End of Year	\$ 1,956,313	\$ 1,606,676

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

	Program Services	Support Services		Total
		Management and General	Fundraising and Development	
Medical programs and coordination	\$ 343,479	\$ -	\$ -	\$ 343,479
Grants	275,836	-	-	275,836
Entertainment	-	-	52,367	52,367
Advertisement	-	-	40,000	40,000
Food and beverage	-	-	57,159	57,159
Payroll	88,679	13,324	43,156	145,159
Travel	475	-	2,366	2,841
Recognition/awards	-	-	4,387	4,387
Transaction fees	-	-	1,464	1,464
Auto	-	-	-	-
Development	-	43	27,459	27,502
Rent	-	18,400	-	18,400
Bank charges	-	3,545	-	3,545
Currency conversion	-	44,703	-	44,703
Professional fees & consulting	-	63,035	-	63,035
Phone	-	1,334	-	1,334
Printing & reproduction	-	3,743	-	3,743
Supplies	-	2,037	6,285	8,322
Patient/family support	-	-	-	-
Other	-	4,421	570	4,991
Insurance	-	2,430	-	2,430
Hurricane relief	-	-	-	-
Loss on uncollectible promises to give	-	10,000	-	10,000
Training/education	-	-	-	-
	<u>708,469</u>	<u>167,015</u>	<u>235,213</u>	<u>1,110,697</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(113,913)	(113,913)
Total expenses included in the expense section on the statements of activities	<u>\$ 708,469</u>	<u>\$ 167,015</u>	<u>\$ 121,300</u>	<u>\$ 996,784</u>

Los Cabos Children's Foundation
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Support Services		Total
		Management and General	Fundraising and Development	
Medical programs and coordination	\$ 452,510	\$ -	\$ -	\$ 452,510
Grants	518,350	-	-	518,350
Entertainment	-	-	69,785	69,785
Advertisement	-	-	-	-
Food and beverage	-	-	25,768	25,768
Payroll	69,277	30,048	26,422	125,747
Travel	3,751	2,679	268	6,698
Recognition/awards	-	-	390	390
Transaction fees	-	-	-	-
Auto	229	163	16	408
Development	14,847	4,949	4,949	24,745
Rent	-	19,142	-	19,142
Bank charges	6,611	4,722	472	11,805
Currency conversion	6,052	4,323	432	10,807
Professional fees & consulting	15,875	63,500	-	79,375
Phone	4,604	1,535	1,733	7,872
Printing & reproduction	1,561	1,115	111	2,787
Supplies	789	563	56	1,408
Patient/family support	620	-	-	620
Other	90	315	1,705	2,110
Insurance	384	1,346	192	1,922
Hurricane relief	154,319	-	-	154,319
Loss on uncollectible promises to give	-	320,190 *	-	320,190
Training/education	507	362	37	906
	<u>1,250,376</u>	<u>454,952</u>	<u>132,336</u>	<u>1,837,664</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(95,943)</u>	<u>(95,943)</u>
Total expenses included in the expense section on the statements of activities	<u>\$ 1,250,376</u>	<u>\$ 454,952</u>	<u>\$ 36,393</u>	<u>\$ 1,741,721</u>

* See Note 2 in the Notes to the Financial Statements

Los Cabos Children's Foundation
 Statements of Cash Flows
 Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 349,637	\$ (223,067)
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on uncollectible promises to give	10,000	320,190
Noncash donation of bloodmobile	(19,000)	-
Contribution restricted for purchase of land	(128,369)	-
Change in beneficial interests in assets held by International Community Foundation	-	(18,225)
Changes in operating assets and liabilities		
Promises to give	74,694	(63,712)
Accounts payable	(8,765)	(1,335)
Grants payable	43,500	-
Net Cash from Operating Activities	321,697	13,851
Cash Flows from Investing Activities		
Purchase of land	(136,846)	-
Withdrawal from beneficial interests in assets held by International Community Foundation	-	582,685
Net Cash (used for) from Financing Activities	(136,846)	582,685
Cash Flows from Financing Activities		
Proceeds from contributions restricted for purchase of land	128,369	-
Net Change in Cash and Cash Equivalents	313,220	596,536
Cash and Cash Equivalents, Beginning of Year	1,326,828	730,292
Cash and Cash Equivalents, End of Year	\$ 1,640,048	\$ 1,326,828

Note 1 - Principal Activity and Significant Accounting Policies

Organization

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

Cash and Cash Equivalents

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

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2016 and 2015, the allowance was \$3,740.

Land

LCCF acquired land located in San Jose Del Cabo, Los Cabos during the year ended June 30, 2016. The land's future use is unknown. LCCF reviews the carrying value of the land whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2016 and 2015.

Donated Equipment in Transit

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

Beneficial Interest in Assets Held by Community Foundation

During 2013, LCCF established an endowment fund (the Fund) under International Community Foundation (the ICF) and named itself beneficiary. LCCF granted variance power to ICF which allowed ICF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of ICF's Board of Governors, such restriction or condition became unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

The Fund was held and invested by ICF for the benefit of LCCF, with trust distributions and changes in fair value recognized in the statements of activities. The Fund was closed during 2015 and the balance was distributed to LCCF.

Grants Payable

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

Net Assets

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

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

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

LCCF reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of LCCF. As of June 30, 2016 and 2015 there were no permanently restricted net assets.

Revenue and Revenue Recognition

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

Donated Services and In-Kind Contributions

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

Fund Raising Costs

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

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.

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 \$164,912 and \$185,977 at June 30, 2016 and 2015, respectively. In addition, LCCF has concentration of credit risk for cash by maintaining deposits in excess of deposit liabilities reported by the bank over the amount that would have been covered by federal insurance totaling \$1,231,136 and \$890,851 at June 30, 2016 and 2015, 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.

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.

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. Aggregate foreign currency transaction gains and losses are included in the statements of functional expenses.

Reclassification

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

Subsequent Events

LCCF has evaluated subsequent events through February 7, 2017, the date the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2016 and 2015:

	2016	2015
Within one year	91,132	143,715
In one to five years	124,025	177,280
	215,157	320,995
Less discount to net present value (3.5%)	(7,080)	(28,224)
Less allowance for uncollectible promises to give	(3,740)	(3,740)
	\$ 204,337	\$ 289,031

At June 30, 2016 and 2015, three and two donors accounted for 92% and 78% of total promises to give, respectively.

LCCF has received a conditional promise to give totaling \$33,387 during the year ended June 30, 2016. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Included in the loss on uncollectible promises to give on the June 30, 2015 statement of functional expenses is \$180,000 of donor promises to give that were written off during the year in exchange for the donor to take over the remaining balance of the \$690,000 commitment that was jointly pledged with the donor to Avera Foundation. As a result, LCCF is released from any future commitment related to the remaining pledge to Avera Foundation.

Note 3 - Fiscal Agent

During the years ended June 30, 2016 and 2015, 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 \$6,000 and \$0 as of June 30, 2016 and 2015, 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 out relating to these activities were \$12,911 and \$6,911, respectively, for the year ended June 30, 2016. Total amounts received and disbursed out relating to these activities were \$51,562 and \$58,562, respectively, for the year ended June 30, 2015.

Note 4 - Donated Professional Services and Materials

LCCF received donated professional services and use of medical supplies as follows during the years ended June 30, 2016 and 2015:

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

	2015			Total
	Program Services	Management and General	Fundraising and Development	
Golf	\$ -	\$ -	\$ 48,293	\$ 48,293
Medical services	\$ 185,000	\$ -	\$ -	\$ 185,000
Medical supplies	77,000	-	-	77,000
Rent	-	17,360	-	17,360
	\$ 262,000	\$ 17,360	\$ -	\$ 279,360

In addition, during year ending June 30, 2015, LCCF's professional service donors utilized medical equipment owned by a third party. LCCF assisted with the transportation, warehouse storage and importation of the medical equipment to the Los Cabos area to further LCCF's mission.

Note 5 - Related Party Transactions

Promises to give at June 30, 2016 and 2015, include amounts from several board members with gross recorded values of \$108,050 and \$210,920, respectively, which do not include any reduction for discounts. In addition, several board members contributed amounts to LCCF totaling approximately \$758,845 and \$481,000 for the years ended June 30, 2016 and 2015, respectively.

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

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or years at June 30, 2016 and 2015:

	2016	2015
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 190,970	\$ 268,546

Net assets were released from restrictions as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Expiration of time restrictions	\$ 127,576	\$ 213,733
Satisfaction of purpose restrictions		
Hurricane relief	-	154,319
Hurricane relief - subsequently released by donor for general use	-	51,110
	\$ 127,576	\$ 419,162