

Crescent Cove
St. Louis Park, Minnesota

Financial Statements
Auditor's Report
For the Year Ended
December 31, 2016



CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| EXHIBIT A: Statement of Activities and Changes in Net Assets – For the Year Ended December 31, 2016 | 2 |
| EXHIBIT B: Statement of Functional Expense – For the Year Ended December 31, 2016 | 3 |
| EXHIBIT C: Statement of Financial Position – December 31, 2016..... | 4 |
| EXHIBIT D: Statement of Cash Flows – For the Year Ended December 31, 2016 | 5 |
| NOTES TO FINANCIAL STATEMENTS | 6-9 |



Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
Crescent Cove
St. Louis Park, Minnesota

We have audited the accompanying financial statements of Crescent Cove, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expense, and cash flows for the year 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 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 audit. We conducted our audit 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 of 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 Crescent Cove as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter, Evert & Associates, L.L.C.
Certified Public Accountants

Minneapolis, Minnesota
June 29, 2017

CRESCENT COVE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Support and Revenue: | | | |
| Grants and Contributions | \$ 395,702 | \$ 1,272,050 | \$ 1,667,752 |
| Special Events (Net of Expenses of \$53,479) | 123,539 | - | 123,539 |
| Investment Income | 1,572 | - | 1,572 |
| Other Income | 83 | - | 83 |
| Net Assets Released from Restrictions: | | | |
| Satisfaction of Program Restrictions | 84,217 | (84,217) | - |
| Satisfaction of Capital Restrictions | 48,787 | (48,787) | - |
| Total Support and Revenue | <u>653,900</u> | <u>1,139,046</u> | <u>1,792,946</u> |
| Expense: | | | |
| Program Services | 256,179 | - | 256,179 |
| Support Services: | | | |
| Management and General | 43,378 | - | 43,378 |
| Fundraising | 34,752 | - | 34,752 |
| Total Support Services | <u>78,130</u> | <u>-</u> | <u>78,130</u> |
| Total Expense | <u>334,309</u> | <u>-</u> | <u>334,309</u> |
| Change in Net Assets | 319,591 | 1,139,046 | 1,458,637 |
| Net Assets - Beginning of Year | <u>237,975</u> | <u>317,496</u> | <u>555,471</u> |
| Net Assets - End of Year | <u>\$ 557,566</u> | <u>\$ 1,456,542</u> | <u>\$ 2,014,108</u> |

The accompanying Notes to Financial Statements
are an integral part of this statement.

CRESCENT COVE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Total Program Services | Support Services | | | Total All Services |
|---------------------------|------------------------------|-------------------------|-------------|------------------------------|--------------------------|
| | | Management & General | Fundraising | Total Support Services | |
| Salaries and Wages | \$ 61,407 | \$ 21,118 | \$ 14,792 | \$ 35,910 | \$ 97,317 |
| Payroll Taxes | 5,068 | 1,743 | 1,221 | 2,964 | 8,032 |
| Total Personnel Costs | 66,475 | 22,861 | 16,013 | 38,874 | 105,349 |
| Professional Fees | 93,972 | 9,552 | 4,585 | 14,137 | 108,109 |
| Family Support Expenses | 65,579 | - | - | - | 65,579 |
| Advertising and Promotion | 4,874 | 832 | 8,097 | 8,929 | 13,803 |
| Website and Internet | 6,221 | 2,126 | 1,496 | 3,622 | 9,843 |
| Rent | 4,929 | 1,685 | 1,186 | 2,871 | 7,800 |
| Conferences and Training | 5,796 | - | - | - | 5,796 |
| Insurance | 549 | 3,727 | 131 | 3,858 | 4,407 |
| Travel | 3,074 | - | 514 | 514 | 3,588 |
| Postage | 1,357 | 679 | 678 | 1,357 | 2,714 |
| Dues and Subscriptions | 1,563 | 600 | 375 | 975 | 2,538 |
| Printing and Copying | 1,567 | - | 783 | 783 | 2,350 |
| Bank and Credit Card Fees | - | 483 | 862 | 1,345 | 1,345 |
| Office Expenses | 223 | 833 | 32 | 865 | 1,088 |
| Total Expense | \$ 256,179 | \$ 43,378 | \$ 34,752 | \$ 78,130 | \$ 334,309 |

The accompanying Notes to Financial Statements are an integral part of this statement.

CRESCENT COVE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

| | |
|-------------------------------------|---------------------|
| Current Assets: | |
| Cash | \$ 1,533,197 |
| Investments | 75,307 |
| Grants and Contributions Receivable | 105,000 |
| Prepaid Expense | 7,416 |
| Prepaid Building Costs | 67,080 |
| Total Current Assets | <u>1,788,000</u> |
| Grants and Contributions Receivable | 215,592 |
| Intangible Asset | 13,038 |
| Other Assets | <u>15,180</u> |
| TOTAL ASSETS | <u>\$ 2,031,810</u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|---------------------|
| Current Liabilities: | |
| Accounts Payable | \$ 7,582 |
| Accrued Salaries Payable | 2,955 |
| Deferred Revenue | 7,165 |
| Total Current Liabilities | <u>17,702</u> |
| Net Assets: | |
| Unrestricted | 557,566 |
| Temporarily Restricted | <u>1,456,542</u> |
| Total Net Assets | <u>2,014,108</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,031,810</u> |

The accompanying Notes to Financial Statements
are an integral part of this statement.

CRESCENT COVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Increase (Decrease) in Cash

| | |
|---|----------------------------|
| Cash Flows from Operating Activities: | |
| Change in Net Assets | \$ 1,458,637 |
| Adjustments to Reconcile Change in Net Assets to Net Cash | |
| Provided (Used) by Operating Activities: | |
| Unrealized Loss on Investments | 254 |
| Long-term Grants and Contributions | (215,592) |
| Intangible Assets | (13,038) |
| Other Assets | (15,180) |
| Donations of Securities | (69,681) |
| Decreases (Increases) in Current Assets: | |
| Grants and Contributions Receivable | (100,000) |
| Prepaid Expense | 1,370 |
| Prepaid Building Costs | (67,080) |
| Increases in Current Liabilities: | |
| Accounts Payable | 7,582 |
| Accrued Salaries Payable | 938 |
| Deferred Revenue | 1,456 |
| Net Cash Provided by Operating Activities | <u>989,666</u> |
| Cash Flows from Investing Activities: | |
| None | - |
| Cash Flows from Financing Activities: | |
| None | <u>-</u> |
| Net Increase in Cash | 989,666 |
| Cash - Beginning of Year | <u>543,531</u> |
| Cash - End of Year | <u><u>\$ 1,533,197</u></u> |

The accompanying Notes to Financial Statements
are an integral part of this statement.

CRESCENT COVE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The Organizational Purpose

The mission of Crescent Cove, formerly Children's Lighthouse of Minnesota (the Organization), is to offer care and support to children and young adults with a shortened life-expectancy, and their families. The organization intends to fulfill this dream by creating one of only a handful of children's residential hospice and respite care homes in the United States.

Basis of Accounting

The financial Statements of the Organization are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment are reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments at market value. Investments at December 31, 2016 represent stock that was contributed in December 2016 and liquidated in January 2017.

Intangible Asset

The Organization is working to secure a trademark in 2017 and will begin amortizing it at that time.

CRESCENT COVE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All expenditures for property and equipment above \$500 are capitalized at cost if purchased, or an estimated market value if donated. The Organization had no property and equipment that meet this criteria at December 31, 2016.

Deferred Revenue

Deferred Revenue consists of prepaid special event income for 2017.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Grants and Contributions Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses other than salaries and related expenses that are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending December 31, 2013 and later remain subject to examination by the Internal Revenue Service.

CRESCENT COVE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through June 29, 2017 which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Organization provides services in the greater Twin Cities and rural Minnesota areas. Grants and Contributions Receivable are from local residents or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2016, the Organization held funds at a local financial institution in excess of federally insured limits.

3. Grants and Contributions Receivable

The outstanding balance of grants and contributions receivable at December 31, 2016, is expected to be collected over the following fiscal years:

| <u>Due in the Year Ending December 31,</u> | |
|--|-------------------|
| 2017 | \$ 105,000 |
| 2018 | 75,000 |
| 2019 | 74,623 |
| 2020 | 50,000 |
| 2021 | <u>50,000</u> |
| Total | 354,623 |
| Less Discount at 4% | <u>34,031</u> |
| Net | 320,592 |
| Less Current Portion | <u>105,000</u> |
| Long-term Portion | <u>\$ 215,592</u> |

CRESCENT COVE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for the following as of December 31, 2016:

| | |
|---|---------------------|
| Facility | \$ 1,305,869 |
| Killebrew Fund | 87,374 |
| Family Services | 38,299 |
| Future Operations | <u>25,000</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 1,456,542</u> |

5. In-kind Contributions

The Organization values in-kind contributions at fair market value at date of donation. In-kind contributions were as follows for the year ended December 31, 2016.

| | |
|---------------------------------|------------------|
| Prepaid Building Costs-Services | \$ 32,080 |
| Intangible Asset-Services | 13,038 |
| Other Assets-Goods | 15,180 |
| Professional Fees | 25,735 |
| In-Kind Rent | <u>7,800</u> |
| Total In-kind Contributions | <u>\$ 93,833</u> |

6. Subsequent Event

On March 31, 2017, the Organization closed on a property that will be its children's residential hospice and respite care home. The purchase price was \$1,108,341.