

The WHAS Crusade for Children, Inc.
Financial Statements
Years Ended August 31, 2019 and 2018

The WHAS Crusade for Children, Inc.
Table of Contents
Years Ended August 31, 2019 and 2018

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements.....	8 - 17



Independent Auditor's Report

To the Board of Directors
The WHAS Crusade for Children, Inc.

We have audited the accompanying financial statements of The WHAS Crusade for Children, Inc. (the "Crusade"), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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 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.

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The WHAS Crusade for Children, Inc. as of August 31, 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.

Emphasis of Matter

As discussed in Note B.1 to the financial statements, the Crusade has adopted Financial Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Handwritten signature in black ink that reads "MCM CPAs & Advisors LLP". The signature is stylized and cursive.

Louisville, Kentucky
December 4, 2019

The WHAS Crusade for Children, Inc.
Statements of Financial Position
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 2,074,338	\$ 2,869,774
Pledges receivable	122,015	127,567
Interest receivable	14,868	6,772
Prepaid expenses	9,796	14,041
Property and equipment, net	57,462	68,433
Investments	26,865,892	26,582,492
Cash surrender value of life insurance	28,611	25,420
Beneficial interest in charitable trusts	1,678,779	1,717,133
Beneficial interest in funds held by others	994,437	1,161,151
	<u>\$ 31,846,198</u>	<u>\$ 32,572,783</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 82,813	\$ 16,901
Grants payable	6,568,691	7,094,233
Accrued expenses	54,383	34,046
	<u>6,705,887</u>	<u>7,145,180</u>
Net assets		
Net assets without donor restrictions		
Undesignated	17,972	17,972
Designated for endowment	20,629,223	20,806,027
	<u>20,647,195</u>	<u>20,823,999</u>
Net assets with donor restrictions	<u>4,493,116</u>	<u>4,603,604</u>
	<u>25,140,311</u>	<u>25,427,603</u>
	<u>\$ 31,846,198</u>	<u>\$ 32,572,783</u>

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statements of Activities and Changes in Net Assets
Years Ended August 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating support and revenues						
Contributions	\$ 5,926,327	\$ 13,995	\$ 5,940,322	\$ 6,479,884	\$ 1,000	\$ 6,480,884
In-kind contributions	651,388	-	651,388	657,527	-	657,527
Investment income, net	13,664	-	13,664	12,548	-	12,548
Distribution from beneficial interest in charitable trusts	-	39,683	39,683	-	56,964	56,964
Distribution from beneficial interest in funds held by others	-	160,000	160,000	-	-	-
Released from restrictions	218,642	(218,642)	-	210,082	(210,082)	-
Total operating support and revenues	6,810,021	(4,964)	6,805,057	7,360,041	(152,118)	7,207,923
Operating expenses						
Program services	5,386,733	-	5,386,733	5,484,823	-	5,484,823
Supporting services						
Management and general	716,139	-	716,139	678,202	-	678,202
Fundraising	953,060	-	953,060	895,937	-	895,937
Endowment	3,810	-	3,810	2,150	-	2,150
	1,673,009	-	1,673,009	1,576,289	-	1,576,289
Total operating expenses	7,059,742	-	7,059,742	7,061,112	-	7,061,112
Changes in net assets from operations	(249,721)	(4,964)	(254,685)	298,929	(152,118)	146,811
Other revenues and expenses						
Contributions	-	93,619	93,619	-	52,462	52,462
Net realized/unrealized (loss) gain	(560,545)	(53,837)	(614,382)	939,758	100,474	1,040,232
Investment income, net	633,462	99,446	732,908	542,225	112,264	654,489
Change in beneficial interest in charitable trusts	-	(78,038)	(78,038)	-	(10,384)	(10,384)
Change in beneficial interest in funds held by others	-	(166,714)	(166,714)	-	132,251	132,251
Total other revenues and expenses	72,917	(105,524)	(32,607)	1,481,983	387,067	1,869,050
Changes in net assets	(176,804)	(110,488)	(287,292)	1,780,912	234,949	2,015,861
Net assets at beginning of year	20,823,999	4,603,604	25,427,603	19,043,087	4,368,655	23,411,742
Net assets at end of year	\$ 20,647,195	\$ 4,493,116	\$ 25,140,311	\$ 20,823,999	\$ 4,603,604	\$ 25,427,603

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statement of Functional Expenses
Year Ended August 31, 2019

	Program services	Supporting services			Total	Total
		Management and general	Fundraising	Endowment		
Expenses						
Grants to recipient organizations (tote board 2019)	\$ 5,690,000	\$ -	\$ -	\$ -	\$ -	\$ 5,690,000
Returned grants	(303,267)	-	-	-	-	(303,267)
Advertising	-	2,235	148	-	2,383	2,383
Salaries and benefits	-	504,265	256,519	-	760,784	760,784
Depreciation	-	10,971	-	-	10,971	10,971
Fundraising	-	-	27,264	-	27,264	27,264
Meetings, luncheons and travel	-	32,733	5,342	-	38,075	38,075
Miscellaneous	-	56,829	4,063	-	60,892	60,892
Postage and delivery	-	13,970	76	-	14,046	14,046
Production and engineering	-	2,894	40,179	-	43,073	43,073
Professional services	-	17,313	(6,280)	-	11,033	11,033
Supplies	-	11,128	38,162	-	49,290	49,290
Walk of fame	-	-	-	3,810	3,810	3,810
Total expenses	5,386,733	652,338	365,473	3,810	1,021,621	6,408,354
In-kind expenses						
Food - in-kind	-	-	16,776	-	16,776	16,776
Office rent - in-kind	-	51,400	-	-	51,400	51,400
Production and engineering - in-kind	-	-	558,000	-	558,000	558,000
Professional services - in-kind	-	4,320	12,811	-	17,131	17,131
Supplies - in-kind	-	8,081	-	-	8,081	8,081
Total in-kind expenses	-	63,801	587,587	-	651,388	651,388
Total expenses and in-kind expenses	\$ 5,386,733	\$ 716,139	\$ 953,060	\$ 3,810	\$ 1,673,009	\$ 7,059,742

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statement of Functional Expenses
Year Ended August 31, 2018

	Program services	Supporting services			Total	Total
		Management and general	Fundraising	Endowment		
Expenses						
Grants to recipient organizations (tote board 2018)	\$ 5,675,000	\$ -	\$ -	\$ -	\$ -	\$ 5,675,000
Returned grants	(190,177)	-	-	-	-	(190,177)
Advertising	-	99	20	-	119	119
Salaries and benefits	-	463,596	215,660	-	679,256	679,256
Depreciation	-	10,013	-	-	10,013	10,013
Fundraising	-	-	10,458	-	10,458	10,458
Meetings, luncheons and travel	-	39,348	5,663	-	45,011	45,011
Miscellaneous	-	45,158	4,285	-	49,443	49,443
Postage and delivery	-	12,520	-	-	12,520	12,520
Production and engineering	-	2,160	37,995	-	40,155	40,155
Professional services	-	15,116	602	-	15,718	15,718
Supplies	-	13,550	40,369	-	53,919	53,919
Walk of fame	-	-	-	2,150	2,150	2,150
Total expenses	5,484,823	601,560	315,052	2,150	918,762	6,403,585
In-kind expenses						
Food - in-kind	-	-	13,331	-	13,331	13,331
Office rent - in-kind	-	51,400	-	-	51,400	51,400
Production and engineering - in-kind	-	-	558,000	-	558,000	558,000
Professional services - in-kind	-	10,242	9,554	-	19,796	19,796
Supplies - in-kind	-	15,000	-	-	15,000	15,000
Total in-kind expenses	-	76,642	580,885	-	657,527	657,527
Total expenses and in-kind expense	\$ 5,484,823	\$ 678,202	\$ 895,937	\$ 2,150	\$ 1,576,289	\$ 7,061,112

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from donors	\$ 5,945,874	\$ 6,582,151
Interest and dividends received	698,792	609,200
Distributions from beneficial interests	199,683	56,964
Cash paid for grants	(5,912,275)	(5,458,985)
Cash paid for personnel costs	(743,503)	(687,032)
Cash paid to vendors and others	<u>(179,844)</u>	<u>(246,573)</u>
Net cash provided by operating activities	8,727	855,725
Cash flows from investing activities		
Sales and maturities of investments	350,672	1,032,475
Purchases of investments	(1,248,454)	(2,489,972)
Purchase of property and equipment	<u>-</u>	<u>(20,799)</u>
Net cash used in investing activities	(897,782)	(1,478,296)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	<u>93,619</u>	<u>52,462</u>
Cash provided by financing activities	<u>93,619</u>	<u>52,462</u>
Decrease in cash and cash equivalents	(795,436)	(570,109)
Cash and cash equivalents at beginning of year	<u>2,869,774</u>	<u>3,439,883</u>
Cash and cash equivalents at end of year	<u>\$ 2,074,338</u>	<u>\$ 2,869,774</u>

See accompanying notes.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements
Years Ended August 31, 2019 and 2018

Note A - Nature of Operations

The WHAS Crusade for Children, Inc. (the "Crusade") is a Kentucky not-for-profit corporation which was established for the benefit of special needs children in the Kentucky and Indiana areas. All activities of the Crusade are directed toward fundraising from the general public. It is the policy of the Crusade to distribute the annual total of tote board funds.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements of the Crusade have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative GAAP. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Crusade has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Accounting Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.
3. Donor Imposed Restrictions: The Crusade records and reports its assets, liabilities, net assets, revenues and other support, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions according to the two classes of net assets as follows:
 - *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Crusade, including endowment net assets which have been designated by the Crusade's Board of Directors. Such net assets may be used at the discretion of management and/or the Board of Directors. While the Crusade does not currently intend to expend Board designated endowment net assets for purposes other than those for which the funds have been designated, if necessary, such funds could be expended for current operations at the discretion of the Board of Directors.
 - *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors or grantors. Certain donor restrictions are temporary in nature; those restrictions will be met by actions of the Crusade or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

4. Cash and Cash Equivalents: The Crusade considers all short term investments with original maturities of three months or less when purchased, that are not designated for a specific purpose, to be cash equivalents. The Crusade generally maintains balances with its bank in excess of federally insured limits.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

5. Property and Equipment: The Crusade records all purchases of long-lived, tangible furniture and equipment and leasehold improvements at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 20 years. Depreciation expense was \$10,971 and \$10,013 for the years ended August 31, 2019 and 2018, respectively. It is the Crusade's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed.
6. Beneficial Interests: Beneficial interest in charitable trusts and beneficial interest in funds held by others represent resources neither in the possession nor under the control of the Crusade, but held by outside parties, with the Crusade deriving income from such funds. The fair value of the Crusade's share of assets is reflected in the statement of financial position and the income, including fair value adjustments, is recorded in the statement of activities and changes in net assets.
7. Investments: Investments in marketable securities are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Receipt of donated investments is recorded at the quoted market value of the investment at the time of donation. Investment income is net of investment fees of \$40,000 for each of the years ended August 31, 2019 and 2018.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Crusade.

8. Income Taxes: The Crusade is exempt from federal taxes under Section 501(c)(3) of Internal Revenue Code and is classified as an organization that is not a private foundation. Accordingly, no provision for income taxes is included in the financial statements.

The Crusade evaluates the recognition and measurement of uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

9. Recent Accounting Pronouncements: In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard will be effective for contributions received for the Crusade's fiscal year ending August 31, 2020 and for contributions made for the Crusade's fiscal year ending August 31, 2021.
10. Subsequent Events: Subsequent events for the Crusade have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued.
11. Reclassifications: Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications had no effect on net assets or the change in net assets.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note C - Liquidity and Availability of Resources

The Crusade's financial assets available within one year of the statements of financial position date for general expenditures as of August 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,074,338	\$ 2,869,774
Pledges receivable	122,015	127,567
Interest receivable	14,868	6,772
Beneficial interest in charitable trusts	1,678,779	1,717,133
Beneficial interest in funds held by others	994,437	1,161,151
Investments	<u>26,865,892</u>	<u>26,582,492</u>
 Total financial assets	 31,750,329	 32,464,889
 Less amounts not available to be used within one year		
Donor restricted by time or purpose	548,433	715,308
Donor restricted in perpetuity	3,944,683	3,888,296
Amounts unavailable to management without board's approval		
Board designated endowment	<u>20,629,223</u>	<u>20,806,027</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,627,990</u>	 <u>\$ 7,055,258</u>

As part of the Crusade's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note D - Pledges Receivable

Pledges receivable at August 31, 2019 and 2018 consists of Crusade weekend pledges. All pledges receivable are expected to be collected within the next year. No provision for doubtful accounts has been included at August 31, 2019 and 2018, as management considers all amounts to be fully collectible.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note E - Property and Equipment

Property and equipment consist of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Computers and software	\$ 79,717	\$ 79,717
Equipment	53,427	53,427
Furniture and fixtures	14,536	14,536
Leasehold improvements	<u>130,934</u>	<u>130,934</u>
	278,614	278,614
Less accumulated depreciation	<u>(221,152)</u>	<u>(210,181)</u>
	<u>\$ 57,462</u>	<u>\$ 68,433</u>

Note F - Beneficial Interest in Charitable Trusts

The Crusade is a beneficiary of six charitable trusts. Under the Maxie Ray Ford Trust, the Crusade receives 15% of the annual income of the trust through July 2033. The Crusade records its beneficial interest in this trust at the present value of the estimated future cash flows discounted at 1.96% and 3.01% at August 31, 2019 and 2018, respectively. Distributions from the trust totaled \$1,365 and \$1,149 for the years ended August 31, 2019 and 2018, respectively.

Under the Hutchison Memorial Trust, the Crusade receives 10% of the annual income of the trust. The Crusade records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 10% of the fair value of the trust. Distributions from the trust totaled \$596 and \$1,158 for the years ended August 31, 2019 and 2018, respectively.

Under the Mary Flynn, Crusade Nurse Trust, the Crusade receives 25% of the annual income of the trust. The Crusade records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 25% of the fair value of the trust. Distributions from the trust totaled \$8,186 and \$7,234 for the years ended August 31, 2019 and 2018, respectively.

Under the Schmidt-Messmer Perpetual Trust, the Crusade receives 14.29% of the annual income of the trust. The Crusade records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 14.29% of the fair value of the trust. Distributions from the trust totaled \$23,281 and \$41,507 for the years ended August 31, 2019 and 2018, respectively.

Under the Joan H. Mayhugh Trust, the Crusade will receive 25% of the income and principal of the trust upon the death of Joan H. Mayhugh. The Crusade records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 25% of the fair value of the trust.

Under the Reva Newman Perpetual Charitable Trust, the Crusade receives 33.33% of the annual income of the trust. The Crusade records its beneficial interest in this trust at the present value of the estimated future cash flows which approximates 33.33% of the fair value of the trust. Distributions from the trust totaled \$6,255 and \$5,916 for the years ended August 31, 2019 and 2018, respectively.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note G - Beneficial Interest in Funds Held by Others

The Crusade has a beneficial interest in funds held at Kosair Charities ("Kosair"). The donor's agreement with Kosair establishes a fund to help provide tuition assistance programs for special education teachers. The fund is managed by Kosair with the payments of investment earnings to the Crusade up to \$50,000 annually. If earnings exceed \$50,000 per year, the Crusade has discretion to request the excess for the above stated purpose or have the excess added to the principal balance of the fund. Distributions from the fund totaled \$160,000 for the year ended August 31, 2019. There were no distributions from the fund for the year ended August 31, 2018.

Note H - Fair Value Measurement

The ASC defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements. The provisions also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Crusade's own assumptions.

The following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used to determine fair value at August 31, 2019 and 2018.

Mutual Funds: Valued at the net asset value of the shares held by the Crusade at year-end.

Certificates of Deposit: Valued using cost, which approximates fair value.

Money Market: Valued using cost, which approximates fair value.

Limited Partnership: The estimated fair values are based on the fair values of the partnership's underlying assets as reported to the partners.

Beneficial Interest in Charitable Trust: Valued at the present value of the estimated future cash flows.

Beneficial Interest in Funds Held by Others: The underlying assets of the funds are valued at the closing price reported on the market on which the individual securities are traded. The funds are valued at the percentage of net asset value of the underlying assets included in a pooled fund.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note H - Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Crusade's assets at fair value as of August 31, 2019:

	Investments at fair value as of August 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 25,557,605	\$ -	\$ -	\$ 25,557,605
Certificates of deposit	935,367	-	-	935,367
Money market	356,441	-	-	356,441
Limited partnership	-	-	16,479	16,479
	<u>\$ 26,849,413</u>	<u>\$ -</u>	<u>\$ 16,479</u>	<u>\$ 26,865,892</u>
	Other assets at fair value as of August 31, 2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ 1,678,779	\$ -	\$ 1,678,779
Beneficial interest in funds held by others	-	-	994,437	994,437
	<u>\$ -</u>	<u>\$ 1,678,779</u>	<u>\$ 994,437</u>	<u>\$ 2,673,216</u>

The following table sets forth by level, within the fair value hierarchy, the Crusade's assets at fair value as of August 31, 2018:

	Investments at fair value as of August 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 25,633,415	\$ -	\$ -	\$ 25,633,415
Certificates of deposit	735,367	-	-	735,367
Money market	197,506	-	-	197,506
Limited partnership	-	-	16,204	16,204
	<u>\$ 26,566,288</u>	<u>\$ -</u>	<u>\$ 16,204</u>	<u>\$ 26,582,492</u>
	Other assets at fair value as of August 31, 2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ 1,717,133	\$ -	\$ 1,717,133
Beneficial interest in funds held by others	-	-	1,161,151	1,161,151
	<u>\$ -</u>	<u>\$ 1,717,133</u>	<u>\$ 1,161,151</u>	<u>\$ 2,878,284</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note H - Fair Value Measurement (Continued)

The changes in the investment measured at fair value for which the Crusade has used Level 3 inputs to determine fair value are as follows for the years ended August 31, 2019 and 2018:

	2019		2018	
	Limited partnership	Beneficial interest in funds held by others	Limited partnership	Beneficial interest in funds held by others
Balance at beginning of year	\$ 16,204	\$ 1,161,151	\$ 16,265	\$ 1,028,900
Increase (decrease) in beneficial interest	-	(6,714)	-	132,251
Investment income	1,914	-	1,965	-
Distributions	(1,639)	(160,000)	(2,026)	-
Balance at end of year	<u>\$ 16,479</u>	<u>\$ 994,437</u>	<u>\$ 16,204</u>	<u>\$ 1,161,151</u>

Note I - Endowments

The Crusade's endowment consists of funds designated by the Board to function as an operating endowment as well as donor restricted endowment funds to support operations and provide tuition assistance. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Kentucky has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after enactment. The Crusade is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

The Crusade has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Crusade classifies net assets with donor restrictions in perpetuity at the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by time or purpose until appropriated for expenditure.

The primary objective of the investments of the endowment fund is to provide for long-term growth of principal and income without undue exposure to risk. This will eventually enable the operating endowment to cover the Crusade's operating costs, while making more grants to support children with special needs in the region.

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated each August 31 and is reviewed and approved by the Crusade board of directors.

A portion of the Crusade's permanently restricted operating endowment is not under the control of the Crusade. Thus the investment and spending policies on this portion of the endowment is dependent on the fiduciary of those funds.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note I - Endowments (Continued)

Endowment net asset composition as of August 31, 2019 and 2018 consists of the following:

	August 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Donor restricted	\$ -	\$ 3,944,683	\$ 3,944,683
Board designated	20,629,223	-	20,629,223
Total	<u>\$ 20,629,223</u>	<u>\$ 3,944,683</u>	<u>\$ 24,573,906</u>
	August 31, 2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets			
Donor restricted	\$ -	\$ 4,049,447	\$ 4,049,447
Board designated	20,806,027	-	20,806,027
Total	<u>\$ 20,806,027</u>	<u>\$ 4,049,447</u>	<u>\$ 24,855,474</u>

Changes in the endowment net assets for the year ended August 31, 2019 are as follows:

	August 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 20,806,027	\$ 4,049,447	\$ 24,855,474
Investment return			
Investment income	633,462	99,446	732,908
Net depreciation	(560,545)	(85,506)	(646,051)
Total investment return	72,917	13,940	86,857
Contributions	519,040	93,619	612,659
Decrease in beneficial interest	-	(6,714)	(6,714)
Appropriation for the tote board	(300,000)	-	(300,000)
Appropriation for expenditures	(468,761)	(205,609)	(674,370)
Endowment net assets, end of year	<u>\$ 20,629,223</u>	<u>\$ 3,944,683</u>	<u>\$ 24,573,906</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note I - Endowments (Continued)

Changes in the endowment net assets for the year ended August 31, 2018 are as follows:

	August 31, 2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 19,025,115	\$ 3,835,292	\$ 22,860,407
Investment return			
Investment income	542,225	112,264	654,489
Net appreciation	939,758	129,916	1,069,674
Total investment return	1,481,983	242,180	1,724,163
Contributions	968,022	52,462	1,020,484
Increase in beneficial interest	-	132,251	132,251
Appropriation for the tote board	(300,000)	-	(300,000)
Appropriation for expenditures	(369,093)	(212,738)	(581,831)
Endowment net assets, end of year	<u>\$ 20,806,027</u>	<u>\$ 4,049,447</u>	<u>\$ 24,855,474</u>

Note J - Grants Payable

Grants payable consist of amounts the board of directors has approved for future distribution. The following table summarizes the activity during the years ended August 31, 2019 and 2018:

	2019	2018
Beginning grants payable	\$ 7,094,233	\$ 7,068,395
Grants awarded or adjusted	5,690,000	5,675,000
Distributions to grantees	(5,912,275)	(5,458,985)
Return to savings	(303,267)	(190,177)
Ending grants payable	<u>\$ 6,568,691</u>	<u>\$ 7,094,233</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2019 and 2018

Note K - Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Subject to time or expenditure for specified purpose		
Restricted for medical research	\$ 409,896	\$ 411,063
Restricted for scholarships	-	161,151
Beneficial interest in trusts	<u>138,537</u>	<u>143,094</u>
Total subject to time or expenditure for specified purpose	548,433	715,308
Restricted in perpetuity		
Restricted for endowment	1,811,712	1,718,094
Beneficial interest in trusts	1,138,534	1,170,202
Restricted for scholarships	<u>994,437</u>	<u>1,000,000</u>
Total restricted in perpetuity	<u>3,944,683</u>	<u>3,888,296</u>
	<u>\$ 4,493,116</u>	<u>\$ 4,603,604</u>

Note L - Contributed Services, Facilities and Property and Equipment

The Crusade receives support from Tegna, Inc. (d/b/a WHAS-TV) in the form of free air time for the telethon, office space and certain other management and administrative services. For each of the years ended August 31, 2019 and 2018, the Crusade received \$542,400 of contributed services and facilities from WHAS-TV. The Crusade also receives support from iHeartMedia, Inc. in the form of free air time for the telethon. For each of the years ended August 31, 2019 and 2018, the Crusade received \$55,000 from iHeartMedia, Inc. The Crusade also receives donated food, supplies and professional services from others. The value of these in-kind donations was \$53,988 and \$60,127 for the years ended August 31, 2019 and 2018, respectively.

Note M - Profit Savings Plan

Tegna, Inc. provides a 401(k) Savings Plan for all regular full-time employees of the Crusade. Employees are eligible to participate upon the date of hire. Employees can contribute funds on a pre-tax basis up to the maximum amount allowable per IRS regulations. For each of the years ended August 31, 2019 and 2018, the Crusade made a matching contribution of dollar for dollar up to 4% of the employee's compensation. Matching contributions totaled \$23,957 and \$23,037 for the years ended August 31, 2019 and 2018, respectively.

Note N - Concentrations

During the year ended August 31, 2018, the Crusade received 15% of its total contribution revenue from one donor.