

The WHAS Crusade for Children, Inc.
Financial Statements
Years Ended August 31, 2022 and 2021

The WHAS Crusade for Children, Inc.
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Years Ended August 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of WHAS Crusade for Children, which comprise the statements of financial position as of August 31, 2022 and 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WHAS Crusade for Children as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WHAS Crusade for Children and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WHAS Crusade for Children's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WHAS Crusade for Children's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WHAS Crusade for Children's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MCM CPAs & Advisors LLP

Louisville, Kentucky
December 1, 2022

The WHAS Crusade for Children, Inc.
Statements of Financial Position
August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 6,140,095	\$ 4,187,417
Pledges receivable	145,888	157,761
Interest receivable	24,074	19,079
Prepaid expenses	11,900	15,696
Property and equipment, net	33,230	45,908
Investments	29,781,638	33,721,158
Cash surrender value of life insurance	35,171	33,664
Beneficial interest in charitable trusts	1,668,351	1,990,358
Beneficial interest in funds held by others	1,011,243	1,151,618
	<u>\$ 38,851,590</u>	<u>\$ 41,322,659</u>
Liabilities and net assets		
Liabilities		
Grants payable	\$ 6,220,176	\$ 6,173,666
Accrued expenses	70,281	59,762
	<u>6,290,457</u>	<u>6,233,428</u>
Net assets		
Net assets without donor restrictions		
Undesignated	17,972	17,972
Designated for endowment	28,272,547	29,916,971
	<u>28,290,519</u>	<u>29,934,943</u>
Net assets with donor restrictions		
	<u>4,270,614</u>	<u>5,154,288</u>
	<u>32,561,133</u>	<u>35,089,231</u>
	<u>\$ 38,851,590</u>	<u>\$ 41,322,659</u>

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statements of Activities and Changes in Net Assets
Years Ended August 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating support and revenues						
Contributions	\$ 7,853,185	\$ 24,701	\$ 7,877,886	\$ 6,455,294	\$ 17,000	\$ 6,472,294
In-kind contributions	662,219	-	662,219	647,445	-	647,445
Investment income, net	7,801	-	7,801	6,151	-	6,151
Distribution from beneficial interest in charitable trusts	-	49,699	49,699	-	62,667	62,667
Distribution from beneficial interest in funds held by others	-	-	-	-	250,000	250,000
Paycheck Protection Program loan forgiveness	-	-	-	128,900	-	128,900
Released from restrictions	79,738	(79,738)	-	1,084,429	(1,084,429)	-
Total operating support and revenues	8,602,943	(5,338)	8,597,605	8,322,219	(754,762)	7,567,457
Operating expenses						
Program services	4,891,282	-	4,891,282	4,843,277	-	4,843,277
Supporting services						
Management and general	797,938	-	797,938	709,250	-	709,250
Fundraising	920,313	-	920,313	872,105	-	872,105
Endowment	1,926	-	1,926	2,464	-	2,464
	1,720,177	-	1,720,177	1,583,819	-	1,583,819
Total operating expenses	6,611,459	-	6,611,459	6,427,096	-	6,427,096
Changes in net assets from operations	1,991,484	(5,338)	1,986,146	1,895,123	(754,762)	1,140,361
Other revenues and expenses						
Contributions	-	13,725	13,725	-	64,879	64,879
Net realized/unrealized (loss) gain	(4,350,324)	(506,716)	(4,857,040)	6,425,921	702,815	7,128,736
Investment income, net	714,416	126,736	841,152	508,845	117,925	626,770
Change in beneficial interest in charitable trusts	-	(371,706)	(371,706)	-	297,955	297,955
Change in beneficial interest in funds held by others	-	(140,375)	(140,375)	-	11,301	11,301
Total other revenues and expenses	(3,635,908)	(878,336)	(4,514,244)	6,934,766	1,194,875	8,129,641
Changes in net assets	(1,644,424)	(883,674)	(2,528,098)	8,829,889	440,113	9,270,002
Net assets at beginning of year	29,934,943	5,154,288	35,089,231	21,105,054	4,714,175	25,819,229
Net assets at end of year	\$ 28,290,519	\$ 4,270,614	\$ 32,561,133	\$ 29,934,943	\$ 5,154,288	\$ 35,089,231

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statement of Functional Expenses
Year Ended August 31, 2022

	Program services	Supporting services			Total	Total
		Management and general	Fundraising	Endowment		
Expenses						
Grants to recipient organizations (tote board 2022)	\$ 5,133,685	\$ -	\$ -	\$ -	\$ -	\$ 5,133,685
Returned grants	(242,403)	-	-	-	-	(242,403)
Advertising	-	-	8,895	-	8,895	8,895
Depreciation	-	12,678	-	-	12,678	12,678
Fundraising	-	-	26,674	-	26,674	26,674
Meetings, luncheons and travel	-	39,871	1,000	-	40,871	40,871
Miscellaneous	-	71,203	203	-	71,406	71,406
Postage and delivery	-	7,866	-	-	7,866	7,866
Production and engineering	-	-	20,851	-	20,851	20,851
Professional services	-	43,158	1,862	-	45,020	45,020
Salaries and benefits	-	529,141	242,135	-	771,276	771,276
Supplies	-	16,912	33,583	-	50,495	50,495
Walk of fame	-	-	-	1,926	1,926	1,926
Total expenses	4,891,282	720,829	335,203	1,926	1,057,958	5,949,240
In-kind expenses						
Food - in-kind	-	-	9,519	-	9,519	9,519
Office rent - in-kind	-	51,400	-	-	51,400	51,400
Production and engineering - in-kind	-	-	569,500	-	569,500	569,500
Professional services - in-kind	-	17,112	6,091	-	23,203	23,203
Supplies - in-kind	-	8,597	-	-	8,597	8,597
Total in-kind expenses	-	77,109	585,110	-	662,219	662,219
Total expenses and in-kind expenses	\$ 4,891,282	\$ 797,938	\$ 920,313	\$ 1,926	\$ 1,720,177	\$ 6,611,459

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statement of Functional Expenses
Year Ended August 31, 2021

	Program services	Supporting services			Total	Total
		Management and general	Fundraising	Endowment		
Expenses						
Grants to recipient organizations (tote board 2021)	\$ 5,100,000	\$ -	\$ -	\$ -	\$ -	\$ 5,100,000
Returned grants	(256,723)	-	-	-	-	(256,723)
Advertising	-	582	998	-	1,580	1,580
Depreciation	-	10,706	-	-	10,706	10,706
Fundraising	-	-	14,397	-	14,397	14,397
Meetings, luncheons and travel	-	15,283	584	-	15,867	15,867
Miscellaneous	-	79,667	208	-	79,875	79,875
Postage and delivery	-	9,662	-	-	9,662	9,662
Production and engineering	-	47	7,304	-	7,351	7,351
Professional services	-	30,936	5,166	-	36,102	36,102
Salaries and benefits	-	466,789	233,402	-	700,191	700,191
Supplies	-	18,941	39,237	-	58,178	58,178
Walk of fame	-	-	-	2,464	2,464	2,464
Total expenses	4,843,277	632,613	301,296	2,464	936,373	5,779,650
In-kind expenses						
Food - in-kind	-	-	9,544	-	9,544	9,544
Office rent - in-kind	-	51,400	-	-	51,400	51,400
Production and engineering - in-kind	-	-	554,500	-	554,500	554,500
Professional services - in-kind	-	16,179	6,765	-	22,944	22,944
Supplies - in-kind	-	9,058	-	-	9,058	9,058
Total in-kind expenses	-	76,637	570,809	-	647,446	647,446
Total expenses and in-kind expenses	\$ 4,843,277	\$ 709,250	\$ 872,105	\$ 2,464	\$ 1,583,819	\$ 6,427,096

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from donors	\$ 7,889,759	\$ 6,672,611
Interest and dividends received	794,259	564,617
Distributions from beneficial interests	49,699	312,667
Cash paid for grants	(4,844,772)	(4,418,437)
Cash paid for personnel costs	(765,648)	(699,613)
Cash paid to vendors and others	<u>(266,824)</u>	<u>(247,490)</u>
Net cash provided by operating activities	2,856,473	2,184,355
Cash flows from investing activities		
Sales and maturities of investments	154,705	99,267
Purchases of investments	(1,072,225)	(878,004)
Purchases of property and equipment	<u>-</u>	<u>(9,858)</u>
Net cash used in investing activities	(917,520)	(788,595)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	<u>13,725</u>	<u>64,879</u>
Cash provided by financing activities	<u>13,725</u>	<u>64,879</u>
Increase in cash and cash equivalents	1,952,678	1,460,639
Cash and cash equivalents at beginning of year	<u>4,187,417</u>	<u>2,726,778</u>
Cash and cash equivalents at end of year	<u>\$ 6,140,095</u>	<u>\$ 4,187,417</u>

See accompanying notes.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements
Years Ended August 31, 2022 and 2021

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.

Effective September 1, 2021, the Crusade adopted Accounting Standards Codification 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use. The standard was applied retrospectively as of the effective date with no material impact.

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.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

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.
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 \$12,678 and \$10,706 for the years ended August 31, 2022 and 2021, 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 statements of financial position and the income, including fair value adjustments, is recorded in the statements 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 approximately \$40,100 for each of the years ended August 31, 2022 and 2021.

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. 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.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,140,095	\$ 4,187,417
Pledges receivable	145,888	157,761
Interest receivable	24,074	19,079
Beneficial interest in charitable trusts	1,668,351	1,990,358
Beneficial interest in funds held by others	1,011,243	1,151,618
Investments	<u>29,781,638</u>	<u>33,721,158</u>
 Total financial assets	 38,771,289	 41,227,391
 Less amounts not available to be used within one year		
Donor restricted by time or purpose	556,235	817,322
Donor restricted in perpetuity	3,714,379	4,336,966
Amounts unavailable to management without board's approval		
Board designated endowment	<u>28,272,547</u>	<u>29,916,971</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 6,228,128</u>	 <u>\$ 6,156,132</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, 2022 and 2021 consists of Crusade weekend pledges. No provision for doubtful accounts has been included at August 31, 2022 and 2021, as management considers all amounts to be fully collectible. Pledges receivable are due within one year of August 31, 2022.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

Note E - Property and Equipment

Property and equipment consist of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Computers and software	\$ 78,184	\$ 78,184
Equipment	61,245	61,245
Furniture and fixtures	14,536	14,536
Leasehold improvements	<u>130,934</u>	<u>130,934</u>
	284,899	284,899
Less accumulated depreciation	<u>(251,669)</u>	<u>(238,991)</u>
	<u><u>\$ 33,230</u></u>	<u><u>\$ 45,908</u></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 3.26% and 1.93% at August 31, 2022 and 2021, respectively. Distributions from the trust totaled \$977 and \$1,141 for the years ended August 31, 2022 and 2021, 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 \$746 and \$536 for the years ended August 31, 2022 and 2021, 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 \$6,920 and \$7,485 for the years ended August 31, 2022 and 2021, 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 \$34,532 and \$47,370 for the years ended August 31, 2022 and 2021, 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. No distributions were received from the trust during the years ended August 31, 2022 and 2021.

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 \$6,524 and \$6,135 for the years ended August 31, 2022 and 2021, respectively.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

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. There were no distributions from the fund for the year ended August 31, 2022. Distributions from the fund totaled \$250,000 for the year ended August 31, 2021.

Note H - Fair Value Measurements

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, 2022 and 2021.

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, 2022 and 2021

Note H - Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Crusade's assets at fair value as of August 31, 2022:

	Investments at fair value as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 28,108,257	\$ -	\$ -	\$ 28,108,257
Certificates of deposit	590,423	-	-	590,423
Money market	1,065,323	-	-	1,065,323
Limited partnership	-	-	17,635	17,635
	<u>\$ 29,764,003</u>	<u>\$ -</u>	<u>\$ 17,635</u>	<u>\$ 29,781,638</u>

	Other assets at fair value as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ 1,668,351	\$ -	\$ 1,668,351
Beneficial interest in funds held by others	-	-	1,011,243	1,011,243
	<u>\$ -</u>	<u>\$ 1,668,351</u>	<u>\$ 1,011,243</u>	<u>\$ 2,679,594</u>

The following table sets forth by level, within the fair value hierarchy, the Crusade's assets at fair value as of August 31, 2021:

	Investments at fair value as of August 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 31,978,159	\$ -	\$ -	\$ 31,978,159
Certificates of deposit	490,000	-	-	490,000
Money market	1,235,503	-	-	1,235,503
Limited partnership	-	-	17,496	17,496
	<u>\$ 33,703,662</u>	<u>\$ -</u>	<u>\$ 17,496</u>	<u>\$ 33,721,158</u>

	Other assets at fair value as of August 31, 2021			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ 1,990,358	\$ -	\$ 1,990,358
Beneficial interest in funds held by others	-	-	1,151,618	1,151,618
	<u>\$ -</u>	<u>\$ 1,990,358</u>	<u>\$ 1,151,618</u>	<u>\$ 3,141,976</u>

**The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021**

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, 2022 and 2021

Note I - Endowments (Continued)

Endowment net asset composition as of August 31, 2022 and 2021 consists of the following:

	<u>August 31, 2022</u>		
	<u>donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets			
Donor restricted	\$ -	\$ 3,725,622	\$ 3,725,622
Board designated	28,272,547	-	28,272,547
Total	<u>\$ 28,272,547</u>	<u>\$ 3,725,622</u>	<u>\$ 31,998,169</u>
	<u>August 31, 2021</u>		
	<u>donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets			
Donor restricted	\$ -	\$ 4,494,147	\$ 4,494,147
Board designated	29,916,971	-	29,916,971
Total	<u>\$ 29,916,971</u>	<u>\$ 4,494,147</u>	<u>\$ 34,411,118</u>

Changes in the endowment net assets for the year ended August 31, 2022 are as follows:

	<u>August 31, 2022</u>		
	<u>Without donor</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 29,916,971	\$ 4,494,147	\$ 34,411,118
Investment return			
Investment income	714,416	126,736	841,152
Net depreciation	<u>(4,350,324)</u>	<u>(719,881)</u>	<u>(5,070,205)</u>
Total investment loss	(3,635,908)	(593,145)	(4,229,053)
Contributions	3,220,085	13,725	3,233,810
Decrease in beneficial interest	-	(140,375)	(140,375)
Appropriation for the tote board	(500,000)	-	(500,000)
Appropriation for expenditures	<u>(728,601)</u>	<u>(48,731)</u>	<u>(777,332)</u>
Endowment net assets, end of year	<u>\$ 28,272,547</u>	<u>\$ 3,725,621</u>	<u>\$ 31,998,168</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

Note I - Endowments (Continued)

Changes in the endowment net assets for the year ended August 31, 2021 are as follows:

	August 31, 2021		
	Without donor	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 21,087,082	\$ 4,134,303	\$ 25,221,385
Investment return			
Investment income	508,845	117,925	626,770
Net appreciation	6,425,921	986,479	7,412,400
	<u>6,934,766</u>	<u>1,104,404</u>	<u>8,039,170</u>
Contributions	2,846,498	64,879	2,911,377
Increase in beneficial interest	-	261,301	261,301
Appropriation for the tote board	(500,000)	-	(500,000)
Appropriation for expenditures	(451,375)	(1,070,740)	(1,522,115)
	<u>(451,375)</u>	<u>(1,070,740)</u>	<u>(1,522,115)</u>
Endowment net assets, end of year	<u>\$ 29,916,971</u>	<u>\$ 4,494,147</u>	<u>\$ 34,411,118</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning grants payable	\$ 6,173,666	\$ 5,748,826
Grants awarded or adjusted	5,133,685	5,100,000
Distributions to grantees	(4,844,772)	(4,418,437)
Return to savings	(242,403)	(256,723)
	<u>(242,403)</u>	<u>(256,723)</u>
Ending grants payable	<u>\$ 6,220,176</u>	<u>\$ 6,173,666</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

Note K - Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Subject to time or expenditure for specified purpose		
Restricted for medical research	\$ 420,171	\$ 491,823
Restricted for scholarships	11,243	157,181
Beneficial interest in trusts	124,821	162,568
Restricted for fundraising events	<u>-</u>	<u>5,750</u>
Total subject to time or expenditure for specified purpose	556,235	817,322
Restricted in perpetuity		
Restricted for endowment	1,584,099	1,999,085
Beneficial interest in trusts	1,130,280	1,343,444
Restricted for scholarships	<u>1,000,000</u>	<u>994,437</u>
Total restricted in perpetuity	<u>3,714,379</u>	<u>4,336,966</u>
	<u>\$ 4,270,614</u>	<u>\$ 5,154,288</u>

Note L - Contributed Services, Facilities and Goods

Donated materials and equipment are shown as gifts, valued at their estimated fair value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Crusade. The Crusade recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation. A large number of volunteers have given significant amounts of their time for the operation of the Crusade throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

The Crusade received the following contributions of nonfinancial assets as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Production and engineering services	\$ 569,500	\$ 554,500
Office space	51,400	51,400
Office supplies	8,597	9,058
Other professional services	23,203	22,943
Food and drinks	<u>9,519</u>	<u>9,544</u>
	<u>\$ 662,219</u>	<u>\$ 647,445</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2022 and 2021

Note L - Contributed Services, Facilities and Goods (Continued)

The Crusade receives donated goods in new or useable condition that are utilized to support the administrative function of the Crusade and operations during the Crusade weekend. Donated goods consist of office supplies, food, and drinks. The Crusade receives production and engineering services to support advertising and production for the Crusade weekend. The Crusade receives facilities and other professional services to support the administrative function of the Crusade. The Crusade uses donor advised pricing to determine the fair value of donated goods, services and facilities. There were no donor-imposed restrictions associated with donated goods.

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, 2022 and 2021, the Crusade made a matching contribution of dollar for dollar up to 4% of the employee's compensation. Matching contributions totaled \$25,536 and \$23,023 for the years ended August 31, 2022 and 2021, respectively.

Note N - Refundable Advance - Paycheck Protection Program Loan

The Crusade received a refundable advance of \$128,900 in April 2020 from the SBA Paycheck Protection Program ("PPP"). In March 2021, under the provisions of the CARES Act, the Crusade was notified the loan was fully forgiven, and the Crusade has been legally released by the U.S. Small Business Administration ("SBA"). As such, the loan forgiveness was recognized as revenue in the statement of activities and changes in net assets during the year ended August 31, 2021. In accordance with the related PPP loan guidelines, the SBA reserves the right to audit any PPP loan at any time during the loan process, including after the loan is partially or fully forgiven and the Crusade has been legal released.