

**The WHAS Crusade for Children, Inc.**

**Financial Statements**

**Years Ended August 31, 2020 and 2019**

**The WHAS Crusade for Children, Inc.  
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Years Ended August 31, 2020 and 2019**

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## **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, 2020 and 2019, 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.

MCM CPAs & Advisors LLP

P 502.749.1900  
F 502.749.1930  
2600 Meidinger Tower  
462 South Fourth Street  
Louisville, KY 40202  
www.mcmcpa.com  
888.587.1719

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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, 2020 and 2019, 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.

*MCM CPAs & Advisors LLP*

Louisville, Kentucky  
December 1, 2020

**The WHAS Crusade for Children, Inc.**  
**Statements of Financial Position**  
**August 31, 2020 and 2019**

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>Assets</b>                                   |                      |                      |
| Cash and cash equivalents                       | \$ 2,726,778         | \$ 2,074,338         |
| Pledges receivable                              | 358,078              | 122,015              |
| Interest receivable                             | 13,442               | 14,868               |
| Prepaid expenses                                | 14,000               | 9,796                |
| Property and equipment, net                     | 46,756               | 57,462               |
| Investments                                     | 25,813,685           | 26,865,892           |
| Cash surrender value of life insurance          | 32,197               | 28,611               |
| Beneficial interest in charitable trusts        | 1,629,736            | 1,678,779            |
| Beneficial interest in funds held by others     | <u>1,140,317</u>     | <u>994,437</u>       |
| Total assets                                    | <u>\$ 31,774,989</u> | <u>\$ 31,846,198</u> |
| <b>Liabilities and net assets</b>               |                      |                      |
| <b>Liabilities</b>                              |                      |                      |
| Accounts payable                                | \$ 4,500             | \$ 82,813            |
| Grants payable                                  | 5,748,826            | 6,568,691            |
| Accrued expenses                                | 73,534               | 54,383               |
| Refundable advance - Payroll Protection Program | <u>128,900</u>       | <u>-</u>             |
| Total liabilities                               | 5,955,760            | 6,705,887            |
| <b>Net assets</b>                               |                      |                      |
| Net assets without donor restrictions           |                      |                      |
| Undesignated                                    | 17,972               | 17,972               |
| Designated for endowment                        | <u>21,087,082</u>    | <u>20,629,223</u>    |
| Total net assets without donor restrictions     | 21,105,054           | 20,647,195           |
| Net assets with donor restrictions              | <u>4,714,175</u>     | <u>4,493,116</u>     |
| Total net assets                                | <u>25,819,229</u>    | <u>25,140,311</u>    |
| Total liabilities and net assets                | <u>\$ 31,774,989</u> | <u>\$ 31,846,198</u> |

See accompanying notes.

**The WHAS Crusade for Children, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended August 31, 2020 and 2019**

|   | 2020                       |                         |               | 2019                       |                         |               |
|---|----------------------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
|   | Without donor restrictions | With donor restrictions | Total         | Without donor restrictions | With donor restrictions | Total         |
| Operating support and revenues                                |                            |                         |               |                            |                         |               |
| Contributions   | \$ 4,379,472               | \$ 12,300               | \$ 4,391,772  | \$ 5,926,327               | \$ 13,995               | \$ 5,940,322  |
| In-kind contributions   | 664,533                    | -                       | 664,533       | 651,388                    | -                       | 651,388       |
| Investment income, net  | 12,385                     | -                       | 12,385        | 13,664                     | -                       | 13,664        |
| Distribution from beneficial interest in charitable trusts    | -                          | 65,435                  | 65,435        | -                          | 39,683                  | 39,683        |
| Distribution from beneficial interest in funds held by others | -                          | -                       | -             | -                          | 160,000                 | 160,000       |
| Released from restrictions                                    | 281,129                    | (281,129)               | -             | 218,642                    | (218,642)               | -             |
| Total operating support and revenues                          | 5,337,519                  | (203,394)               | 5,134,125     | 6,810,021                  | (4,964)                 | 6,805,057     |
| Operating expenses  |                            |                         |               |                            |                         |               |
| Program services  | 4,651,086                  | -                       | 4,651,086     | 5,386,733                  | -                       | 5,386,733     |
| Supporting services   |                            |                         |               |                            |                         |               |
| Management and general  | 700,207                    | -                       | 700,207       | 716,139                    | -                       | 716,139       |
| Fundraising   | 925,186                    | -                       | 925,186       | 953,060                    | -                       | 953,060       |
| Endowment   | 1,725                      | -                       | 1,725         | 3,810                      | -                       | 3,810         |
|   | 1,627,118                  | -                       | 1,627,118     | 1,673,009                  | -                       | 1,673,009     |
| Total operating expenses                                      | 6,278,204                  | -                       | 6,278,204     | 7,059,742                  | -                       | 7,059,742     |
| Changes in net assets from operations                         | (940,685)                  | (203,394)               | (1,144,079)   | (249,721)                  | (4,964)                 | (254,685)     |
| Other revenues and expenses                                   |                            |                         |               |                            |                         |               |
| Contributions   | -                          | 122,495                 | 122,495       | -                          | 93,619                  | 93,619        |
| Net realized/unrealized gain (loss)                           | 751,649                    | 141,371                 | 893,020       | (560,545)                  | (53,837)                | (614,382)     |
| Investment income, net  | 646,895                    | 129,186                 | 776,081       | 633,462                    | 99,446                  | 732,908       |
| Change in beneficial interest in charitable trusts            | -                          | (114,479)               | (114,479)     | -                          | (78,038)                | (78,038)      |
| Change in beneficial interest in funds held by others         | -                          | 145,880                 | 145,880       | -                          | (166,714)               | (166,714)     |
| Total other revenues and expenses                             | 1,398,544                  | 424,453                 | 1,822,997     | 72,917                     | (105,524)               | (32,607)      |
| Changes in net assets   | 457,859                    | 221,059                 | 678,918       | (176,804)                  | (110,488)               | (287,292)     |
| Net assets at beginning of year                               | 20,647,195                 | 4,493,116               | 25,140,311    | 20,823,999                 | 4,603,604               | 25,427,603    |
| Net assets at end of year                                     | \$ 21,105,054              | \$ 4,714,175            | \$ 25,819,229 | \$ 20,647,195              | \$ 4,493,116            | \$ 25,140,311 |

See accompanying notes.

**The WHAS Crusade for Children, Inc.**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2020**

|   | Program<br>services | Supporting services       |                   |                 | Total               | Total               |
|---|---------------------|---------------------------|-------------------|-----------------|---------------------|---------------------|
|   |                     | Management<br>and general | Fundraising       | Endowment       |                     |                     |
| Expenses  |                     |                           |                   |                 |                     |                     |
| Grants to recipient organizations (tote board 2020) | \$ 4,800,000        | \$ -                      | \$ -              | \$ -            | \$ -                | \$ 4,800,000        |
| Returned grants                                     | (148,914)           | -                         | -                 | -               | -                   | (148,914)           |
| Advertising   | -                   | 1,760                     | 1,500             | -               | 3,260               | 3,260               |
| Depreciation  | -                   | 10,706                    | -                 | -               | 10,706              | 10,706              |
| Fundraising   | -                   | -                         | 29,650            | -               | 29,650              | 29,650              |
| Meetings, luncheons and travel                      | -                   | 12,439                    | 384               | -               | 12,823              | 12,823              |
| Miscellaneous                                       | -                   | 48,775                    | 284               | -               | 49,059              | 49,059              |
| Postage and delivery                                | -                   | 6,088                     | -                 | -               | 6,088               | 6,088               |
| Production and engineering                          | -                   | 1,886                     | 4,538             | -               | 6,424               | 6,424               |
| Professional services                               | -                   | 22,202                    | 4,651             | -               | 26,853              | 26,853              |
| Salaries and benefits                               | -                   | 504,608                   | 252,785           | -               | 757,393             | 757,393             |
| Supplies  | -                   | 12,519                    | 46,086            | -               | 58,605              | 58,605              |
| Walk of fame  | -                   | -                         | -                 | 1,725           | 1,725               | 1,725               |
| <b>Total expenses</b>                               | <b>4,651,086</b>    | <b>620,983</b>            | <b>339,878</b>    | <b>1,725</b>    | <b>962,586</b>      | <b>5,613,672</b>    |
| In-kind expenses                                    |                     |                           |                   |                 |                     |                     |
| Food - in-kind                                      | -                   | -                         | 11,572            | -               | 11,572              | 11,572              |
| Office rent - in-kind                               | -                   | 51,400                    | -                 | -               | 51,400              | 51,400              |
| Production and engineering - in-kind                | -                   | -                         | 550,000           | -               | 550,000             | 550,000             |
| Professional services - in-kind                     | -                   | 6,750                     | 23,736            | -               | 30,486              | 30,486              |
| Supplies - in-kind                                  | -                   | 21,074                    | -                 | -               | 21,074              | 21,074              |
| <b>Total in-kind expenses</b>                       | <b>-</b>            | <b>79,224</b>             | <b>585,308</b>    | <b>-</b>        | <b>664,532</b>      | <b>664,532</b>      |
| <b>Total expenses and in-kind expenses</b>          | <b>\$ 4,651,086</b> | <b>\$ 700,207</b>         | <b>\$ 925,186</b> | <b>\$ 1,725</b> | <b>\$ 1,627,118</b> | <b>\$ 6,278,204</b> |

See accompanying notes.

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

|   | Program<br>services | Supporting services       |                   |                 | Total               | Total               |
|---|---------------------|---------------------------|-------------------|-----------------|---------------------|---------------------|
|   |                     | Management<br>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               |
| 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              |
| Salaries and benefits                               | -                   | 504,265                   | 256,519           | -               | 760,784             | 760,784             |
| Supplies  | -                   | 11,128                    | 38,162            | -               | 49,290              | 49,290              |
| Walk of fame  | -                   | -                         | -                 | 3,810           | 3,810               | 3,810               |
| <b>Total expenses</b>                               | <b>5,386,733</b>    | <b>652,338</b>            | <b>365,473</b>    | <b>3,810</b>    | <b>1,021,621</b>    | <b>6,408,354</b>    |
| 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               |
| <b>Total in-kind expenses</b>                       | <b>-</b>            | <b>63,801</b>             | <b>587,587</b>    | <b>-</b>        | <b>651,388</b>      | <b>651,388</b>      |
| <b>Total expenses and in-kind expenses</b>          | <b>\$ 5,386,733</b> | <b>\$ 716,139</b>         | <b>\$ 953,060</b> | <b>\$ 3,810</b> | <b>\$ 1,673,009</b> | <b>\$ 7,059,742</b> |

See accompanying notes.



**The WHAS Crusade for Children, Inc.**  
**Statements of Cash Flows**  
**Years Ended August 31, 2020 and 2019**

|   | <u>2020</u>                | <u>2019</u>                |
|---|----------------------------|----------------------------|
| Cash flows from operating activities                                  |                            |                            |
| Cash received from donors   | \$ 4,155,709               | \$ 5,945,874               |
| Cash received from refundable advance                                 | 128,900                    | -                          |
| Interest and dividends received                                       | 724,456                    | 698,792                    |
| Distributions from beneficial interests                               | 65,435                     | 199,683                    |
| Cash paid for grants  | (5,470,951)                | (5,912,275)                |
| Cash paid for personnel costs   | (752,304)                  | (743,503)                  |
| Cash paid to vendors and others                                       | <u>(266,527)</u>           | <u>(179,844)</u>           |
| Net cash (used in) provided by operating activities                   | (1,415,282)                | 8,727                      |
| Cash flows from investing activities                                  |                            |                            |
| Sales and maturities of investments                                   | 2,734,905                  | 350,672                    |
| Purchases of investments  | <u>(789,678)</u>           | <u>(1,248,454)</u>         |
| Net cash provided by (used in) investing activities                   | 1,945,227                  | (897,782)                  |
| Cash flows from financing activities                                  |                            |                            |
| Proceeds from contributions restricted for<br>investment in endowment | <u>122,495</u>             | <u>93,619</u>              |
| Cash provided by financing activities                                 | <u>122,495</u>             | <u>93,619</u>              |
| Increase (decrease) in cash and cash equivalents                      | 652,440                    | (795,436)                  |
| Cash and cash equivalents at beginning of year                        | <u>2,074,338</u>           | <u>2,869,774</u>           |
| Cash and cash equivalents at end of year                              | <u><u>\$ 2,726,778</u></u> | <u><u>\$ 2,074,338</u></u> |

See accompanying notes.

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements**  
**Years Ended August 31, 2020 and 2019**

**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.
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.
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 \$10,706 and \$10,971 for the years ended August 31, 2020 and 2019, respectively. It is the Crusade's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed.

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**Note B - Summary of Significant Accounting Policies (Continued)**

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, 2020 and 2019.

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: Effective September 1 2019 the Crusade adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The 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 was adopted as it relates to contributions received for the Crusade's fiscal year ending August 31, 2020 and will apply to 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.

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**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, 2020 and 2019 are as follows:

|   | <u>2020</u>             | <u>2019</u>             |
|---|-------------------------|-------------------------|
| Cash and cash equivalents   | \$ 2,726,778            | \$ 2,074,338            |
| Pledges receivable  | 358,078                 | 122,015                 |
| Interest receivable   | 13,442                  | 14,868                  |
| Beneficial interest in charitable trusts  | 1,629,736               | 1,678,779               |
| Beneficial interest in funds held by others   | 1,140,317               | 994,437                 |
| Investments   | <u>25,813,685</u>       | <u>26,865,892</u>       |
| <br>Total financial assets  | <br>31,682,036          | <br>31,750,329          |
| <br>Less amounts not available to be used within one year   |                         |                         |
| Donor restricted by time or purpose   | 725,752                 | 548,433                 |
| Donor restricted in perpetuity  | 3,988,423               | 3,944,683               |
| Amounts unavailable to management without board's approval  |                         |                         |
| Board designated endowment  | <u>21,087,082</u>       | <u>20,629,223</u>       |
| <br>Total financial assets available to meet cash needs<br>for general expenditures within one year | <br><u>\$ 5,880,779</u> | <br><u>\$ 6,627,990</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, 2020 and 2019 consists of Crusade weekend pledges. No provision for doubtful accounts has been included at August 31, 2020 and 2019, as management considers all amounts to be fully collectible.

Pledge receivables are due according to the following schedule:

|  | <u>2020</u>           | <u>2019</u>           |
|--|-----------------------|-----------------------|
| Less than one year                       | \$ 278,078            | \$ 122,015            |
| One to five years                        | <u>80,000</u>         | <u>-</u>              |
| <br>Total unconditional promises to give | <br><u>\$ 358,078</u> | <br><u>\$ 122,015</u> |

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**Note E - Property and Equipment**

Property and equipment consist of the following at August 31, 2020 and 2019:

|                               | <u>2020</u>      | <u>2019</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>(231,858)</u> | <u>(221,152)</u> |
|                               | <u>\$ 46,756</u> | <u>\$ 57,462</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 1.49% and 1.96% at August 31, 2020 and 2019, respectively. Distributions from the trust totaled \$1,330 and \$1,365 for the years ended August 31, 2020 and 2019, 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 \$730 and \$596 for the years ended August 31, 2020 and 2019, 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 \$9,924 and \$8,186 for the years ended August 31, 2020 and 2019, 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 \$47,370 and \$23,281 for the years ended August 31, 2020 and 2019, 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 \$6,081 and \$6,255 for the years ended August 31, 2020 and 2019, respectively.

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**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, 2020. Distributions from the fund totaled \$160,000 for the year ended August 31, 2019.

**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, 2020 and 2019.

*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, 2020 and 2019**

**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, 2020:

|                         | Investments at fair value as of August 31, 2020 |             |                  |                      |
|-------------------------|---|-------------|------------------|----------------------|
|                         | Level 1   | Level 2     | Level 3          | Total                |
| Mutual funds            | \$ 25,100,228                                   | \$ -        | \$ -             | \$ 25,100,228        |
| Certificates of deposit | 240,000   | -           | -                | 240,000              |
| Money market            | 456,321   | -           | -                | 456,321              |
| Limited partnership     | -   | -           | 17,136           | 17,136               |
|                         | <u>\$ 25,796,549</u>                            | <u>\$ -</u> | <u>\$ 17,136</u> | <u>\$ 25,813,685</u> |

  

|   | Other assets at fair value as of August 31, 2020 |                     |                     |                     |
|---|--|---------------------|---------------------|---------------------|
|   | Level 1  | Level 2             | Level 3             | Total               |
| Beneficial interest in charitable trusts    | \$ -   | \$ 1,629,736        | \$ -                | \$ 1,629,736        |
| Beneficial interest in funds held by others | -  | -                   | 1,140,317           | 1,140,317           |
|   | <u>\$ -</u>                                      | <u>\$ 1,629,736</u> | <u>\$ 1,140,317</u> | <u>\$ 2,770,053</u> |

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 WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**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, 2020 and 2019:

|  | 2020                |   | 2019                |   |
|--|---------------------|---|---------------------|---|
|  | Limited partnership | Beneficial interest in funds held by others | Limited partnership | Beneficial interest in funds held by others |
| Balance at beginning of year               | \$ 16,479           | \$ 994,437                                  | \$ 16,204           | \$ 1,161,151                                |
| Increase (decrease) in beneficial interest | -                   | 145,880                                     | -                   | (6,714)                                     |
| Investment income                          | 2,295               | -   | 1,914               | -   |
| Distributions                              | (1,638)             | -   | (1,639)             | (160,000)                                   |
| Balance at end of year                     | <u>\$ 17,136</u>    | <u>\$ 1,140,317</u>                         | <u>\$ 16,479</u>    | <u>\$ 994,437</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, 2020 and 2019**

**Note I - Endowments (Continued)**

Endowment net asset composition as of August 31, 2020 and 2019 consists of the following:

|                      | <u>August 31, 2020</u>        |                                    |                      |
|----------------------|-------------------------------|------------------------------------|----------------------|
|                      | <u>donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>         |
| Endowment net assets |                               |                                    |                      |
| Donor restricted     | \$ -                          | \$ 4,134,303                       | \$ 4,134,303         |
| Board designated     | 21,087,082                    | -                                  | 21,087,082           |
| Total                | <u>\$ 21,087,082</u>          | <u>\$ 4,134,303</u>                | <u>\$ 25,221,385</u> |
|                      |                               |                                    |                      |
|                      | <u>August 31, 2019</u>        |                                    |                      |
|                      | <u>donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>         |
| 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> |

Changes in the endowment net assets for the year ended August 31, 2020 are as follows:

|  | <u>August 31, 2020</u>        |                                    |                      |
|--|-------------------------------|------------------------------------|----------------------|
|  | <u>donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>         |
| Endowment net assets,<br>beginning of year | \$ 20,629,223                 | \$ 3,944,683                       | \$ 24,573,906        |
| Investment return                          |                               |                                    |                      |
| Investment income                          | 646,895                       | 129,186                            | 776,081              |
| Net appreciation                           | 751,649                       | 62,616                             | 814,265              |
| Total investment return                    | 1,398,544                     | 191,802                            | 1,590,346            |
| Contributions                              | 1,298,528                     | 122,495                            | 1,421,023            |
| Increase in beneficial interest            | -                             | 145,880                            | 145,880              |
| Appropriation for the tote board           | (1,000,000)                   | -                                  | (1,000,000)          |
| Appropriation for expenditures             | (1,239,213)                   | (270,557)                          | (1,509,770)          |
| Endowment net assets,<br>end of year       | <u>\$ 21,087,082</u>          | <u>\$ 4,134,303</u>                | <u>\$ 25,221,385</u> |

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**Note I - Endowments (Continued)**

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

|  | August 31, 2019               |                                    |                      |
|--|-------------------------------|------------------------------------|----------------------|
|  | <u>donor<br/>restrictions</u> | <u>With donor<br/>restrictions</u> | <u>Total</u>         |
| Endowment net assets,<br>beginning of year | \$ 20,806,027                 | \$ 4,049,447                       | \$ 24,855,474        |
| Investment return                          |                               |                                    |                      |
| Investment income                          | 633,462                       | 99,446                             | 732,908              |
| Net depreciation                           | <u>(560,545)</u>              | <u>(85,506)</u>                    | <u>(646,051)</u>     |
| 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             | <u>(468,761)</u>              | <u>(205,609)</u>                   | <u>(674,370)</u>     |
| Endowment net assets,<br>end of year       | <u>\$ 20,629,223</u>          | <u>\$ 3,944,683</u>                | <u>\$ 24,573,906</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, 2020 and 2019:

|                            | <u>2020</u>         | <u>2019</u>         |
|----------------------------|---------------------|---------------------|
| Beginning grants payable   | \$ 6,568,691        | \$ 7,094,233        |
| Grants awarded or adjusted | 4,800,000           | 5,690,000           |
| Distributions to grantees  | (5,470,951)         | (5,912,275)         |
| Return to savings          | <u>(148,914)</u>    | <u>(303,267)</u>    |
| Ending grants payable      | <u>\$ 5,748,826</u> | <u>\$ 6,568,691</u> |

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**Note K - Net Assets with Donor Restrictions**

Net assets with donor restrictions at August 31, 2020 and 2019 consist of the following:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Subject to time or expenditure for specified purpose       |                     |                     |
| Restricted for medical research                            | \$ 438,777          | \$ 409,896          |
| Restricted for scholarships                                | 145,880             | -                   |
| Beneficial interest in trusts                              | <u>141,095</u>      | <u>138,537</u>      |
| Total subject to time or expenditure for specified purpose | 725,752             | 548,433             |
| Restricted in perpetuity                                   |                     |                     |
| Restricted for endowment                                   | 1,934,206           | 1,811,712           |
| Beneficial interest in trusts                              | 1,059,780           | 1,138,534           |
| Restricted for scholarships                                | <u>994,437</u>      | <u>994,437</u>      |
| Total restricted in perpetuity                             | <u>3,988,423</u>    | <u>3,944,683</u>    |
|  | <u>\$ 4,714,175</u> | <u>\$ 4,493,116</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, 2020 and 2019, 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, 2020 and 2019, 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 \$63,133 and \$53,988 for the years ended August 31, 2020 and 2019, 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, 2020 and 2019, the Crusade made a matching contribution of dollar for dollar up to 4% of the employee's compensation. Matching contributions totaled \$24,450 and \$23,957 for the years ended August 31, 2020 and 2019, respectively.

**The WHAS Crusade for Children, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended August 31, 2020 and 2019**

**Note N - Refundable Advance - Payroll Protection Program**

The Crusade received a refundable advance of \$128,900 in April 2020 from the SBA Payroll Protection Program. Under the CARES Act, subject to limitations, as defined, the advance may be partially or fully forgiven, depending on specified actual payroll and other qualified costs for the covered period following receipt of the advance. Any amount not forgiven will be payable in 24 monthly installments of principal and interest at 1% and will be unsecured. The Crusade is accounting for the loan proceeds as a conditional contribution in accordance with ASC 958-605. As such, the Crusade maintains the conditions will be substantially met when forgiveness notification is received from its bank.

**Note O - Contingency**

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. Prior to August 31, 2020 and as of the date the financial statements were available to be issued, the Crusade's operations have been significantly impacted by the COVID-19 outbreak. It is likely the Crusade's operations will continue to be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.