

The WHAS Crusade for Children, Inc.
Financial Statements
Years Ended August 31, 2018 and 2017

The WHAS Crusade for Children, Inc.

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Years Ended August 31, 2018 and 2017

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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, 2018 and 2017, 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.

Kentucky
Indiana
Ohio

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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, 2018 and 2017, 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 6, 2018

The WHAS Crusade for Children, Inc.
Statements of Financial Position
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 2,869,774	\$ 3,439,883
Pledges receivable	127,567	228,834
Interest receivable	6,772	5,899
Prepaid expenses	14,041	7,381
Property and equipment, net	68,433	57,647
Investments	26,582,492	24,084,763
Cash surrender value of life insurance	25,420	24,380
Beneficial interest in charitable trusts	1,717,133	1,670,553
Beneficial interest in funds held by others	<u>1,161,151</u>	<u>1,028,900</u>
Total Assets	<u>\$ 32,572,783</u>	<u>\$ 30,548,240</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 16,901	\$ 26,281
Grants payable	7,094,233	7,068,395
Accrued expenses	<u>34,046</u>	<u>41,822</u>
Total Liabilities	7,145,180	7,136,498
Net Assets		
Unrestricted		
Undesignated	17,972	17,972
Designated for endowment	<u>20,806,027</u>	<u>19,025,115</u>
	20,823,999	19,043,087
Temporarily restricted	715,308	562,263
Permanently restricted	<u>3,888,296</u>	<u>3,806,392</u>
Total Net Assets	<u>25,427,603</u>	<u>23,411,742</u>
Total Liabilities and Net Assets	<u>\$ 32,572,783</u>	<u>\$ 30,548,240</u>

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statements of Activities and Changes in Net Assets
Years Ended August 31, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenues								
Contributions	\$ 6,479,884	\$ 1,000	\$ -	\$ 6,480,884	\$ 6,042,595	\$ 62,923	\$ -	\$ 6,105,518
In-kind contributions	657,527	-	-	657,527	648,884	-	-	648,884
Investment income, net	12,548	-	-	12,548	12,710	-	-	12,710
Change in beneficial interest in charitable trusts	-	17,138	-	17,138	-	33,780	-	33,780
Change in beneficial interest in funds held by others	-	132,251	-	132,251	-	28,900	-	28,900
Released from restrictions	210,082	(210,082)	-	-	480,168	(480,168)	-	-
Total Operating Support and Revenues	7,360,041	(59,693)	-	7,300,348	7,184,357	(354,565)	-	6,829,792
Operating Expenses								
Program services	5,484,823	-	-	5,484,823	5,229,147	-	-	5,229,147
Supporting services								
Management and general	678,202	-	-	678,202	622,550	-	-	622,550
Fundraising	895,937	-	-	895,937	870,920	-	-	870,920
Endowment	2,150	-	-	2,150	1,650	-	-	1,650
	1,576,289	-	-	1,576,289	1,495,120	-	-	1,495,120
Total Operating Expenses	7,061,112	-	-	7,061,112	6,724,267	-	-	6,724,267
Changes in Net Assets from Operations	298,929	(59,693)	-	239,236	460,090	(354,565)	-	105,525
Other Revenues and Expenses								
Endowment								
Contributions	-	-	52,462	52,462	-	-	1,015,209	1,015,209
Net realized/unrealized gain	939,758	100,474	-	1,040,232	1,424,172	160,907	-	1,585,079
Investment income, net	542,225	112,264	-	654,489	445,309	84,920	-	530,229
Change in beneficial interest in charitable trusts	-	-	29,442	29,442	-	-	50,673	50,673
Total Other Revenues and Expenses	1,481,983	212,738	81,904	1,776,625	1,869,481	245,827	1,065,882	3,181,190
Changes in Net Assets	1,780,912	153,045	81,904	2,015,861	2,329,571	(108,738)	1,065,882	3,286,715
Net Assets at Beginning of Year	19,043,087	562,263	3,806,392	23,411,742	16,713,516	671,001	2,740,510	20,125,027
Net Assets at End of Year	\$ 20,823,999	\$ 715,308	\$ 3,888,296	\$ 25,427,603	\$ 19,043,087	\$ 562,263	\$ 3,806,392	\$ 23,411,742

See accompanying notes.

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

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

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statement of Functional Expenses
Year Ended August 31, 2017

	Program Services	Supporting Services				Total
		Management and General	Fundraising	Endowment	Total	
Expenses:						
Grants to recipient organizations (tote board 2017)	\$ 5,500,000	\$ -	\$ -	\$ -	\$ -	\$ 5,500,000
Returned grants	(270,853)	-	-	-	-	(270,853)
Salaries and benefits	-	399,781	197,577	-	597,358	597,358
Depreciation	-	11,159	-	-	11,159	11,159
Fundraising	-	-	9,766	-	9,766	9,766
Meetings, luncheons and travel	-	34,102	4,964	-	39,066	39,066
Miscellaneous	-	44,656	4,262	-	48,918	48,918
Postage and delivery	-	10,407	-	-	10,407	10,407
Production and engineering	-	3,373	34,529	-	37,902	37,902
Professional services	-	32,620	-	-	32,620	32,620
Supplies	-	18,310	39,080	-	57,390	57,390
Walk of fame	-	-	-	1,650	1,650	1,650
Total Expenses	5,229,147	554,408	290,178	1,650	846,236	6,075,383
In-kind Expenses:						
Food - in-kind	-	-	13,095	-	13,095	13,095
Office rent - in-kind	-	51,400	-	-	51,400	51,400
Production and engineering - in-kind	-	-	559,910	-	559,910	559,910
Professional services - in-kind	-	10,242	7,737	-	17,979	17,979
Supplies - in-kind	-	6,500	-	-	6,500	6,500
Total In-kind Expenses	-	68,142	580,742	-	648,884	648,884
Total Expenses and In-kind Expense	\$ 5,229,147	\$ 622,550	\$ 870,920	\$ 1,650	\$ 1,495,120	\$ 6,724,267

See accompanying notes.

The WHAS Crusade for Children, Inc.
Statements of Cash Flows
Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 2,015,861	\$ 3,286,715
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	10,013	11,159
Net realized/unrealized gain	(1,040,232)	(1,585,079)
Increase in cash value of life insurance	(1,040)	(1,142)
Change in beneficial interest in charitable trusts	(46,580)	(84,453)
Contribution of beneficial interest in funds held by others	-	(1,000,000)
Change in beneficial interest in funds held by others	(132,251)	(28,900)
Contributions restricted for long-term investment	(52,462)	(15,209)
Changes in:		
Pledges receivable	101,267	(31,996)
Interest receivable	(873)	16,973
Prepaid expenses	(6,660)	4,230
Accounts payable	(9,380)	9,793
Grants payable	25,838	(75,140)
Accrued expenses	<u>(7,776)</u>	<u>(935)</u>
Net Cash Provided by Operating Activities	855,725	506,016
Cash Flows from Investing Activities		
Purchase of property and equipment	(20,799)	-
Sales and maturities of investments	1,032,475	21,880,720
Purchases of investments	<u>(2,489,972)</u>	<u>(22,088,647)</u>
Net Cash Used in Investing Activities	(1,478,296)	(207,927)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment in endowment	<u>52,462</u>	<u>15,209</u>
Cash Provided by Financing Activities	<u>52,462</u>	<u>15,209</u>
(Decrease) Increase in Cash and Cash Equivalents	(570,109)	313,298
Cash and Cash Equivalents at Beginning of Year	<u>3,439,883</u>	<u>3,126,585</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,869,774</u>	<u>\$ 3,439,883</u>

See accompanying notes.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements
Years Ended August 31, 2018 and 2017

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, gains and losses, and other support based on the existence or absence of donor-imposed restrictions.

The Crusade reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Crusade reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Crusade reports expirations of donor restrictions when the long-lived assets are placed in service. Permanently restricted net assets include those contributions and other inflows of assets whose use by the Crusade is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Crusade.

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 \$10,013 and \$11,159 for the years ended August 31, 2018 and 2017, respectively. It is the Crusade's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed.
6. Beneficial interests: Beneficial interest in charitable trusts and beneficial interest in funds held by others represent resources neither in the possession nor under the control of the Crusade, but held by outside parties, with the Crusade deriving income from such funds. The fair value of the Crusade's share of assets is reflected in the statement of financial position and the income, including fair value adjustments, is recorded in the statement of activities and changes in net assets.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (Continued)

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 and \$55,381 for the years ended August 31, 2018 and 2017, respectively.

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

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

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

9. Recent Accounting Pronouncements: In August 2016, the FASB issued Accounting Standards Update No. 2016-14 (ASU 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance included qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. This standard will be effective for the fiscal year ending August 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard will be effective for the fiscal year ending August 31, 2020.

The Crusade is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

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.

Note C - Pledges Receivable

Pledges receivable at August 31, 2018 and 2017 consists of Crusade weekend pledges. All pledges receivable are expected to be collected within the next year. No provision for doubtful accounts has been included at August 31, 2018 and 2017, as management considers all amounts to be fully collectible.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2018 and 2017

Note D - Property and Equipment

Property and equipment consist of the following at August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computers and software	\$ 79,717	\$ 79,717
Equipment	53,427	36,688
Furniture and fixtures	14,536	14,536
Leasehold improvements	<u>130,934</u>	<u>130,934</u>
	278,614	261,875
Less accumulated depreciation	<u>(210,181)</u>	<u>(204,228)</u>
	<u>\$ 68,433</u>	<u>\$ 57,647</u>

Note E - 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 3.01% and 2.72% at August 31, 2018 and 2017, respectively. Distributions from the trust totaled \$1,149 and \$1,294 for the years ended August 31, 2018 and 2017, 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 \$1,158 and \$1,063 for the years ended August 31, 2018 and 2017, 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 \$7,234 and \$3,578 for the years ended August 31, 2018 and 2017, 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 \$41,507 and \$42,312 for the years ended August 31, 2018 and 2017, 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 \$5,916 and \$6,056 for the years ended August 31, 2018 and 2017, respectively.

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2018 and 2017

Note F - 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. This fund was established in 2017. No amounts were disbursed from the fund to the Crusade during the years ended August 31, 2018 and 2017.

Note G - 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, 2018 and 2017.

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, 2018 and 2017

Note G - 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, 2018:

	Investments at Fair Value as of August 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 25,633,415	\$ -	\$ -	\$ 25,633,415
Certificates of deposit	735,367	-	-	735,367
Money market	197,506	-	-	197,506
Limited partnership	-	-	16,204	16,204
	<u>\$ 26,566,288</u>	<u>\$ -</u>	<u>\$ 16,204</u>	<u>\$ 26,582,492</u>

	Other Assets at Fair Value as of August 31, 2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ 1,717,133	\$ -	\$ 1,717,133
Beneficial interest in funds held by others	-	-	1,161,151	1,161,151
	<u>\$ -</u>	<u>\$ 1,717,133</u>	<u>\$ 1,161,151</u>	<u>\$ 2,878,284</u>

The following table sets forth by level, within the fair value hierarchy, the Crusade's assets at fair value as of August 31, 2017:

	Investments at Fair Value as of August 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 22,381,136	\$ -	\$ -	\$ 22,381,136
Certificates of deposit	1,478,290	-	-	1,478,290
Money market	209,072	-	-	209,072
Limited partnership	-	-	16,265	16,265
	<u>\$ 24,068,498</u>	<u>\$ -</u>	<u>\$ 16,265</u>	<u>\$ 24,084,763</u>

	Other Assets at Fair Value as of August 31, 2017			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ 1,670,553	\$ -	\$ 1,670,553
Beneficial interest in funds held by others	-	-	1,028,900	1,028,900
	<u>\$ -</u>	<u>\$ 1,670,553</u>	<u>\$ 1,028,900</u>	<u>\$ 2,699,453</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2018 and 2017

Note G - 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, 2018 and 2017:

	2018		2017	
	Limited	Beneficial	Limited	Beneficial
	<u>Partnership</u>	<u>Interes in Funds Held by Others</u>	<u>Partnership</u>	<u>Interes in Funds Held by Others</u>
Balance at beginning of year	\$ 16,265	\$ 1,028,900	\$ 16,385	\$ -
Contributions	-	-	-	1,000,000
Increase in beneficial interest	-	132,251	-	28,900
Investment income	1,965	-	1,648	-
Distributions	<u>(2,026)</u>	<u>-</u>	<u>(1,768)</u>	<u>-</u>
Balance at End of Year	<u>\$ 16,204</u>	<u>\$ 1,161,151</u>	<u>\$ 16,265</u>	<u>\$ 1,028,900</u>

Note H - 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 as permanently restricted net assets 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 permanently restricted net assets is classified as temporarily restricted 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, 2018 and 2017

Note H - Endowments (Continued)

Endowment net asset composition as of August 31, 2018 and 2017 consists of the following:

	August 31, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets				
Donor restricted	\$ -	\$ 161,151	\$ 3,888,296	\$ 4,049,447
Board designated	20,806,027	-	-	20,806,027
Total	<u>\$ 20,806,027</u>	<u>\$ 161,151</u>	<u>\$ 3,888,296</u>	<u>\$ 24,855,474</u>
	August 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets				
Donor restricted	\$ -	\$ 28,900	\$ 3,806,392	\$ 3,835,292
Board designated	19,025,115	-	-	19,025,115
Total	<u>\$ 19,025,115</u>	<u>\$ 28,900</u>	<u>\$ 3,806,392</u>	<u>\$ 22,860,407</u>

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

	August 31, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, Beginning of year	\$ 19,025,115	\$ 28,900	\$ 3,806,392	\$ 22,860,407
Investment return:				
Investment income	542,225	112,264	-	654,489
Net appreciation	939,758	100,474	29,442	1,069,674
Total Investment Return	1,481,983	212,738	29,442	1,724,163
Contributions	968,022	-	52,462	1,020,484
Increase in beneficial interest	-	132,251	-	132,251
Appropriation for the tote board	(300,000)	-	-	(300,000)
Appropriation for expenditures	(369,093)	(212,738)	-	(581,831)
Endowment Net Assets, End of Year	<u>\$ 20,806,027</u>	<u>\$ 161,151</u>	<u>\$ 3,888,296</u>	<u>\$ 24,855,474</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2018 and 2017

Note H - Endowments (Continued)

Changes in the endowment net assets for the year ended August 31, 2017 are as follows:

	August 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets,				
Beginning of year	\$ 16,695,544	\$ -	\$ 2,740,510	\$ 19,436,054
Investment return:				
Investment income	445,309	84,920	-	530,229
Net appreciation	1,424,172	160,907	50,673	1,635,752
Total Investment Return	1,869,481	245,827	50,673	2,165,981
Contributions	898,222	-	1,015,209	1,913,431
Increase in beneficial interest	-	28,900	-	28,900
Appropriation for the tote board	(175,000)	-	-	(175,000)
Appropriation for expenditures	(263,132)	(245,827)	-	(508,959)
Endowment Net Assets,				
End of Year	<u>\$ 19,025,115</u>	<u>\$ 28,900</u>	<u>\$ 3,806,392</u>	<u>\$ 22,860,407</u>

Note I - 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, 2018 and 2017:

	2018	2017
Beginning grants payable	\$ 7,068,395	\$ 7,143,535
Grants awarded or adjusted	5,675,000	5,500,000
Distributions to grantees	(5,458,985)	(5,304,287)
Return to savings	(190,177)	(270,853)
Ending Grants Payable	<u>\$ 7,094,233</u>	<u>\$ 7,068,395</u>

The WHAS Crusade for Children, Inc.
Notes to Financial Statements (Continued)
Years Ended August 31, 2018 and 2017

Note J - Temporarily Restricted Net Assets

Temporarily restricted net assets at August 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Restricted for medical research	\$ 411,063	\$ 395,427
Restricted for scholarships	161,151	28,900
Restricted by time	<u>143,094</u>	<u>137,936</u>
	<u>\$ 715,308</u>	<u>\$ 562,263</u>

Note K - 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, 2018 and 2017, 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 the years ended August 31, 2018 and 2017, the Crusade received \$55,000 and \$54,910, respectively, from iHeartMedia, Inc. The Crusade also receives donated food, supplies and professional services from others. The value of these in-kind donations was \$60,127 and \$51,574 for the years ended August 31, 2018 and 2017, respectively.

Note L - 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, 2018 and 2017, the Crusade made a matching contribution of \$0.50 per dollar up to 5% of the employee's compensation. Matching contributions totaled \$23,037 and \$16,974 for the years ended August 31, 2018 and 2017, respectively.

Note M - Concentrations

During the year ended August 31, 2018, the Crusade received 15% of its total contribution revenue from one donor. During the year ended August 31, 2017, the Crusade received 14% of its total contribution revenue from one donor.