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**WASHBURN UNIVERSITY OF TOPEKA**

*FINANCIAL STATEMENTS*

*JUNE 30, 2016*

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## Independent Auditors' Report

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

### Report On The Financial Statements

We have audited the accompanying financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Washburn University Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$177,256,025 and \$181,124,582 as of June 30, 2016 and 2015, respectively, and total revenues of \$13,895,553 and \$12,468,297, respectively, for the years then ended or the Washburn Law School Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$6,274,276 and \$7,386,969 as of June 30, 2016 and 2015, respectively, and total revenues of (\$93,458) and \$172,959, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Washburn University Foundation and the Washburn Law School Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Washburn University Foundation and Washburn Law School Foundation, which comprise the financial statements of the discretely presented component units, were not audited in accordance with *Government Auditing Standards* and the applicable provisions of the Kansas Municipal Audit Guide.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 and the reports of the other accounts are sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 4 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the University's financial statements. The accompanying schedules required for revenue bonds and revenue refunding bonds as identified in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules required for revenue bonds and revenue refunding bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the University's internal control over financial reporting and compliance.

*RubinBrown LLP*

December 22, 2016

# WASHBURN UNIVERSITY OF TOPEKA

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The following Management's Discussion and Analysis (MD&A) provides a discussion and analysis of the financial position and activities of Washburn University (the University) during the fiscal year ended June 30, 2016 and comparative data for the fiscal years ended June 30, 2015 and 2014. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and for this discussion and analysis.

Management is also responsible for maintaining the University's system of internal control, which includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes the University's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

### **The Reporting Entity**

The financial statements of the University include the operations of the University and the following component units:

- Washburn Institute of Technology (Washburn Tech);
- Washburn University Foundation (the Foundation); and
- Washburn Law School Foundation (the Law Foundation).

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, Washburn Tech is included in the University's financial statements as a blended component unit because the University's Board of Regents is also the governing body of Washburn Tech and the University's management has operational responsibility for Washburn Tech.

Throughout this MD&A, references to "the University" refer to the blended reporting entity unless the reference specifically or contextually relates only to Washburn University.



## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

The Foundation and the Law Foundation are reported as discretely-presented component units of the University in compliance with GASB Statements No. 14, No. 39, No. 61, and No. 80. Neither of these component units is addressed in this MD&A.

### **Using The Financial Statements**

The University's financial statements are presented in a "business type activity" format, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to the MD&A, these pronouncements require the following in a financial report:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Net Position;
- Statement of Cash Flows; and
- Notes to Financial Statements.

One of the most important questions asked about the University's finances is whether the University as a whole is better off or worse off as a result of the year's activities. The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows provide information on the University as a whole and present a long-term view of the University's finances. These statements present financial information in a form similar to that used by private corporations.

Over time, increases or decreases in net position (the residual of assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are one indicator of the improvement or erosion of the University's financial health, when considered with non-financial facts such as enrollment levels and the condition of the University's facilities. In addition to the required information noted above, this report contains required supplementary information and other supplementary schedules.

### **Financial Highlights For The Fiscal Year Ended June 30, 2016**

The discussion below addresses financial highlights for both the University and Washburn Tech, based on the information presented in the notes to the financial statements.

## **WASHBURN UNIVERSITY OF TOPEKA**

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### Management's Discussion And Analysis (*Continued*)

#### ***Washburn University***

The University's financial position remained strong at June 30, 2016, with total assets of \$235.8 million, deferred outflows of resources of \$500,000, and liabilities of \$67.1 million, compared to total assets of \$235.5 million, deferred outflows of resources of \$603,000 and liabilities of \$66.6 million at June 30, 2015. Net position was \$169.3 million at June 30, 2016. This total is slight decrease of \$.3 million in net position, virtually unchanged from last fiscal year's net position of \$169.6 million. Nonetheless, several offsetting factors are involved in this total, as will be reviewed throughout this analysis.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$38.0 million and operating expenses were \$96.4 million, resulting in a loss from operations of \$58.4 million. GASB Statement No. 35 requires state and local appropriations, gifts and investment income to be classified as nonoperating revenues. As a result, the University reports a net operating loss. This net operating loss does not present a complete picture of the University's operations.

Such a complete picture of operations requires consideration of net nonoperating revenues. For the year ended June 30, 2016, nonoperating revenues were \$57.7 million, which, when combined with other revenue sources and the loss from operations, resulted in a slight decrease in net position of \$.3 million compared to an increase of \$5.7 million for the year ended June 30, 2015.

#### ***Washburn Tech***

Washburn Tech's financial position was also strong at June 30, 2016, with total assets of \$12.2 million and liabilities of approximately \$794,000, compared to total assets of \$12.1 million and liabilities of \$869,000 at June 30, 2015. Net position was \$11.4 million, a 1.8% increase from net position of \$11.2 million at June 30, 2015. This increase is primarily the result of increased revenues from tuition and increased grants. These revenues were offset to some extent by increased operating expenses resulting from increased enrollment and grants activity.

Washburn Tech's operating revenues were \$2.1 million and operating expenses were \$13.6 million, resulting in a loss from operations of \$11.4 million. Net nonoperating revenues, made up predominantly of state appropriations and grants, were \$11.6 million, which, when combined with other revenue sources and the loss from operations, resulted in an increase in net position of \$197,000 for the year ended June 30, 2016, compared to an increase of \$685,000 in the prior fiscal year.

A condensed summary of Washburn's net revenues, expenses and changes in net position for the fiscal years ended June 30, 2016 and 2015 is presented on the following page. This summary helps present a more complete picture of operations.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

#### Statement Of Net Position

The Statement of Net Position is the University's balance sheet, presenting the financial position of the University at the end of the fiscal year. It includes all assets, liabilities, deferred outflows and inflows, and net position of the University. Net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, liabilities and deferred outflows and inflows are generally measured using current values. The primary exception is capital assets, which are stated at historical cost, net of accumulated depreciation.

A condensed comparison of the University's assets, deferred outflows of resources, liabilities and net position as of June 30, 2016, 2015 and 2014 is presented below:

#### Condensed Statements Of Net Position As of June 30, 2016, 2015 And 2014

	2016	2015	2014
<b>Assets</b>			
Current assets	\$ 32,499,647	\$ 38,132,135	\$ 46,074,451
Capital assets, net	137,807,654	112,496,003	101,413,175
Other assets	77,737,457	97,024,656	68,080,623
<b>Total Assets</b>	<b>248,044,758</b>	<b>247,652,794</b>	<b>215,568,249</b>
<b>Deferred Outflows Of Resources</b>	<b>519,437</b>	<b>602,938</b>	<b>658,440</b>
<b>Liabilities</b>			
Current liabilities	18,710,101	15,006,859	14,326,236
Noncurrent liabilities	49,148,014	52,441,089	27,476,761
<b>Total Liabilities</b>	<b>67,858,115</b>	<b>67,447,948</b>	<b>41,802,997</b>
<b>Net Position</b>			
Net investment in capital assets	89,635,294	81,684,436	72,508,045
Restricted - nonexpendable	27,857,558	31,109,667	33,374,041
Restricted - expendable	38,496,065	43,538,709	41,121,580
Unrestricted	24,717,163	24,474,972	27,420,026
<b>Total Net Position</b>	<b>\$ 180,706,080</b>	<b>\$ 180,807,784</b>	<b>\$ 174,423,692</b>

#### *Assets*

Significant assets consist of cash and cash equivalents, short-term investments, accounts and taxes receivable, receivables from and equity in net assets of Washburn University Foundation, and capital assets.

## **WASHBURN UNIVERSITY OF TOPEKA**

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### Management's Discussion And Analysis (*Continued*)

Current assets, which consist primarily of cash and receivables, totaled \$32.5 million at June 30, 2016. Total current assets at June 30, 2016 cover current liabilities 1.7 times, an indicator of good liquidity. Capital assets, net of related debt, which comprises 55.5 percent of total net assets at June 30, 2016, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

The other assets line includes \$11.0 million of restricted cash and cash equivalents. This is largely comprised of \$3.7 million of unexpended bond proceeds relating to the construction of a new student housing and dining facility, \$5.2 million of cash in the health self-insurance fund.

#### ***Deferred Outflows Of Resources***

GASB Statement No. 65 requires that the excess of the reacquisition price of new debt over the net carrying value of refunded debt must be reported as a deferred outflow of resources. During the year ended June 30, 2014, the University issued \$9.655 million of bonds to refund the Series 2004 bonds. In connection with that transaction, the remaining deferred outflows relating to the Series 2004 bonds (\$589,000) were written off, while \$534,000 of deferred outflows was recorded relating to the Series 2014 bonds. The remaining change in the balance from June 30, 2014 to June 30, 2016 is the result of annual amortization of the original balances. There were no additions to deferred outflows of resources during the years ended June 30, 2016 and 2015.

#### ***Liabilities***

Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, a capital lease, capital loans from the state, compensated absences and unearned revenue.

Noncurrent liabilities, comprised primarily of bonds payable and a capital lease obligation, decreased by \$3.3 million from June 30, 2015. This decrease reflects incremental amortization of existing bonded debt and capital leases. Principal payments on bonds, capital leases and loans were \$3.0 million during 2016.

#### ***Net Position***

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in capital assets - the property, plant and equipment owned by the University, net of the indebtedness relating to capital assets.

# WASHBURN UNIVERSITY OF TOPEKA

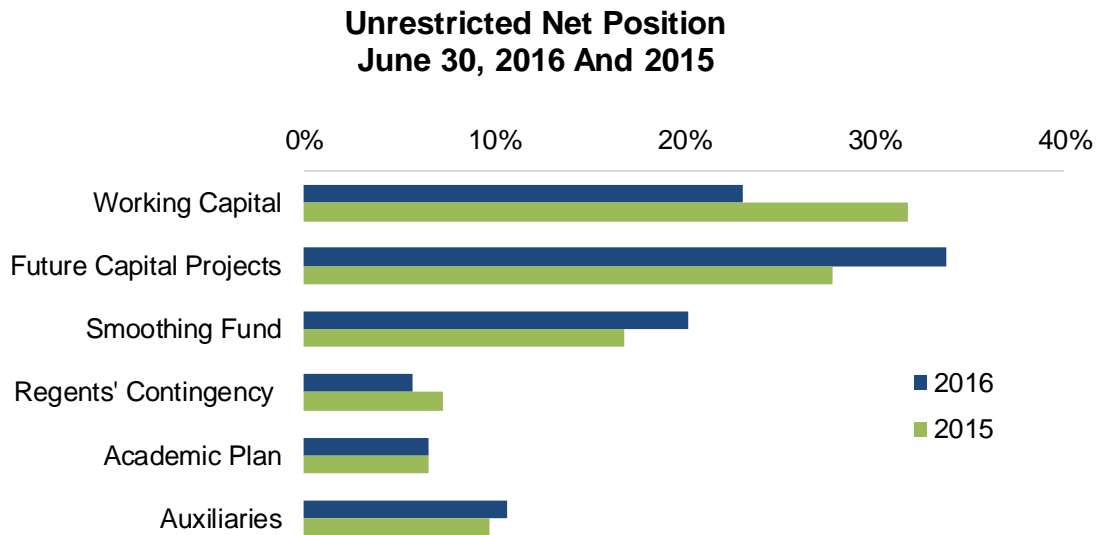
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## Management's Discussion And Analysis (*Continued*)

The next category is restricted net position, which is further divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources (endowment funds) is only available for investment purposes.

Expendable restricted net position is subject to externally-imposed restrictions governing its use. This category of net position includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by donors and/or external parties that have placed time or purpose restrictions on the use of the assets.

Although unrestricted net position is not subject to externally imposed stipulations, a portion of the University's unrestricted net position has been designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects and Regents' contingency. The following graph shows the allocations at June 30, 2016 and 2015:



Preserving approximately \$7.0 million for working capital decreases funding available for future capital projects as shown. Completion of projects during FY 2016 reduces the need to transfer from reserves for “Future Capital Projects” to capital projects during future years. The increase in the “Smoothing Fund” allocation is the result of sales tax receipts during the year exceeding the amount budgeted as well as the University not spending from the Fund during the year ended June 30, 2016.

# WASHBURN UNIVERSITY OF TOPEKA

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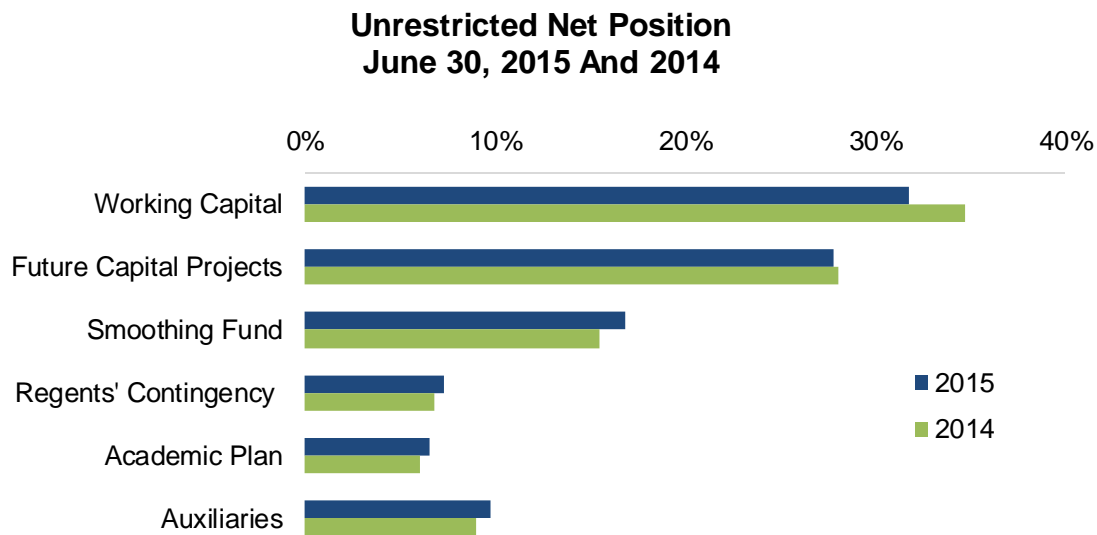
## Management's Discussion And Analysis (*Continued*)

### Fiscal Year 2015 Compared To Fiscal Year 2014

Current assets, which consist primarily of cash and receivables, totaled \$38.1 million at June 30, 2015. Total current assets at June 30, 2015 covered current liabilities 2.5 times, an indicator of excellent liquidity. Capital assets, net of related debt, which comprised 45.4 percent of total net assets at June 30, 2015, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted expendable net position is subject to externally imposed restrictions governing their use. This category of net position includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by external parties.

Although unrestricted net position is not subject to externally imposed stipulations, a portion of the University's unrestricted net position has been designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects and Regents' contingency. The following graph shows the allocations at June 30, 2015 and 2014:



The decrease in the portion of unrestricted net position available for working capital purposes, as well as the increase in the portion earmarked for future capital projects, was due to a higher level of transfers from "Future Capital Projects" to capital projects in fiscal 2015 compared to fiscal year 2014. The increase in the "Smoothing Fund" allocation is the result of sales tax receipts during the year in excess of the amount budgeted.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

#### Statement Of Revenues, Expenses And Changes In Net Position

Changes in total net position presented on the Statement of Net Position result from the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned and the expenses incurred by the University, both operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the University. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the students and various constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and sales tax collections are nonoperating because they represent revenue provided to the University for which no goods or services are provided directly by the University to the state or Shawnee County.

One of the University's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the years ended June 30, 2016, 2015 and 2014.

#### Condensed Statement Of Revenues, Expenses And Changes In Net Position For The Years Ended June 30, 2016, 2015 And 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 40,095,679	\$ 39,817,777	\$ 39,105,052
Operating expenses	109,984,499	101,693,472	103,903,680
	<u>(69,888,820)</u>	<u>(61,875,695)</u>	<u>(64,798,628)</u>
Nonoperating revenues and expenses	69,282,371	67,678,991	74,426,004
Income (loss) before other revenues	(606,449)	5,803,296	9,627,376
Other revenues	504,745	580,796	855,431
Increase (decrease) in net position	(101,704)	6,384,092	10,482,807
Net position at beginning of year	180,807,784	174,423,692	163,940,885
Net position at end of year	<u>\$ 180,706,080</u>	<u>\$ 180,807,784</u>	<u>\$ 174,423,692</u>

## WASHBURN UNIVERSITY OF TOPEKA

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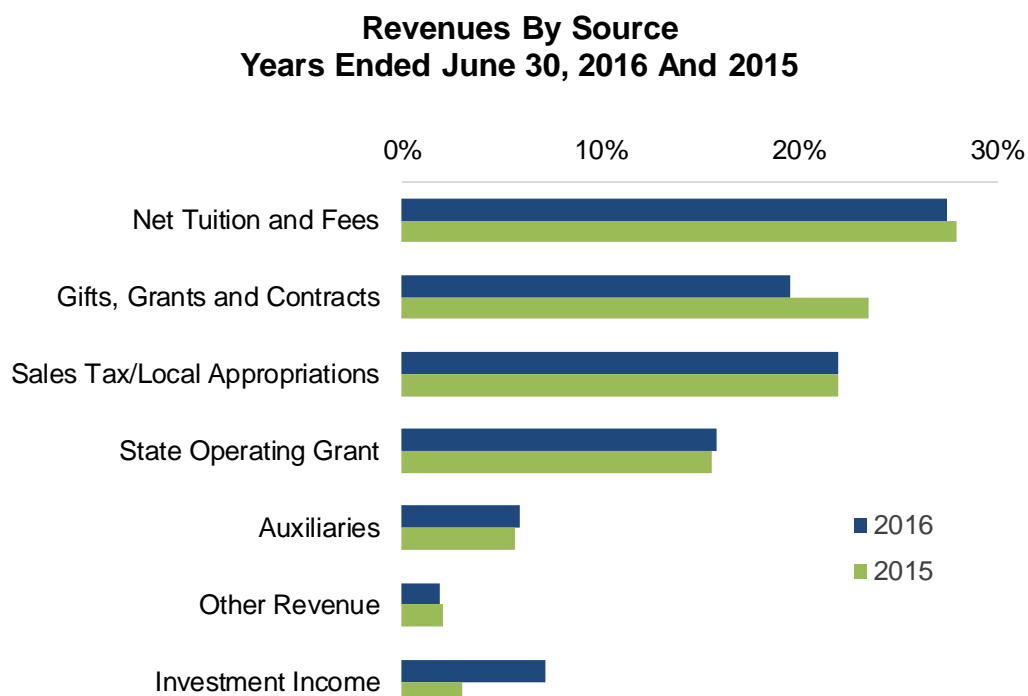
### Management's Discussion And Analysis (*Continued*)

#### Fiscal Year 2016 Compared To Fiscal Year 2015

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease of \$0.1 million during the year ended June 30, 2016 compared to an increase of \$6.4 million during fiscal year 2015. Some highlights of the information provided in these statements follow.

#### Revenues

The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2016 and 2015.



Sales tax/local appropriations and the state operating grant comprise 39.4 percent of the University's revenue for the year ended June 30, 2016 compared to 38.1 percent for the year ended June 30, 2015. The next largest revenue source was net tuition and fees, comprising 28.7 percent of revenue for the year ended June 30, 2016 compared to 28.4 percent for the year ended June 30, 2015.



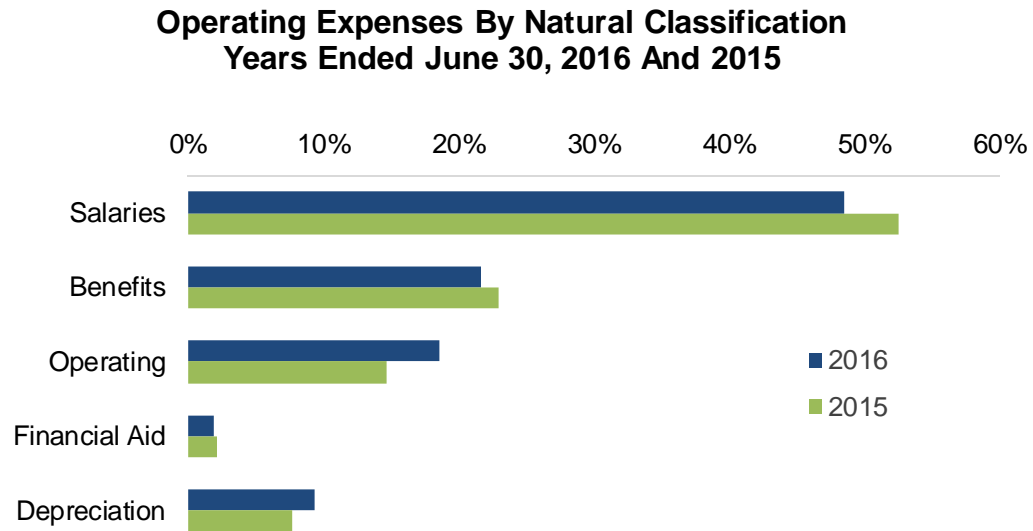
# WASHBURN UNIVERSITY OF TOPEKA

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## Management's Discussion And Analysis (*Continued*)

### Expenses

Operating expenses in both natural (object) classification and functional classification are graphically displayed for the years ended June 30, 2016 and 2015.



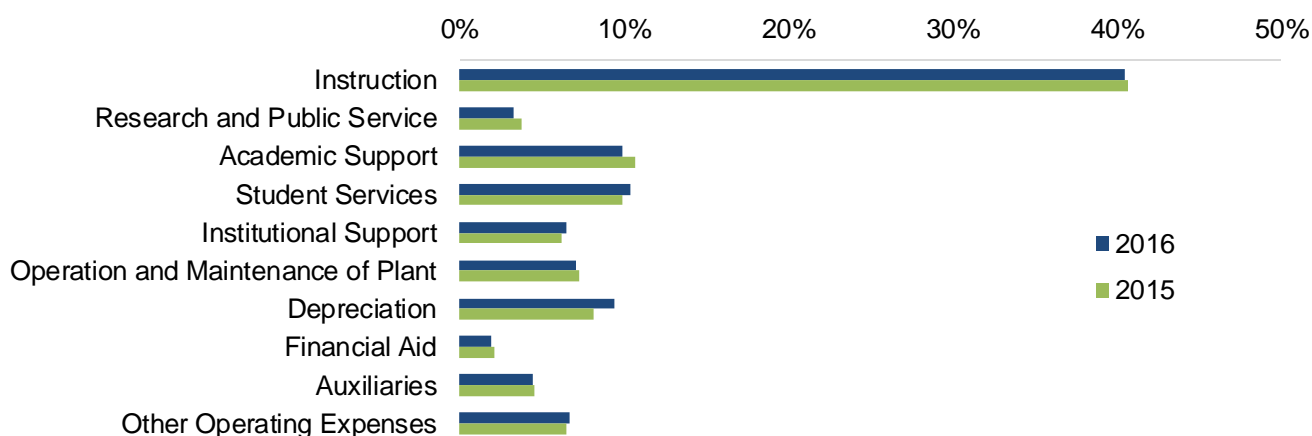
## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

Salaries and benefits comprise 70.2 percent of expenses by natural classification for the year ended June 30, 2016 compared to 75.5 percent for the year ended June 30, 2015. Operating expenses represent 18.6 percent of total expenses for the year ended June 30, 2016 compared to 14.7 percent for the year ended June 30, 2015. Financial aid and depreciation represent the remaining 11.3 percent of expenses for the year ended June 30, 2016 compared to 9.8 percent for the year ended June 30, 2015.

#### Operating Expenses By Function Years Ended June 30, 2016 and 2015



Instruction expenses accounted for 40.4 percent of operating expenses by function for the year ended June 30, 2016 compared to 40.7 percent for the year ended June 30, 2015. The percentages for the remaining operating expenses by functional area range from 10.4 percent for Student Services to 1.9 percent for Financial Aid for the year ended June 30, 2016 compared to 10.7 percent for academic support to 2.1 percent for financial aid for the year ended June 30, 2015.

#### Fiscal Year 2015 Compared To Fiscal Year 2014

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$6.3 million during the year ended June 30, 2015, compared to an increase of \$10.5 million during the year ended June 20, 2014. Some highlights of the information provided in these statements follow.

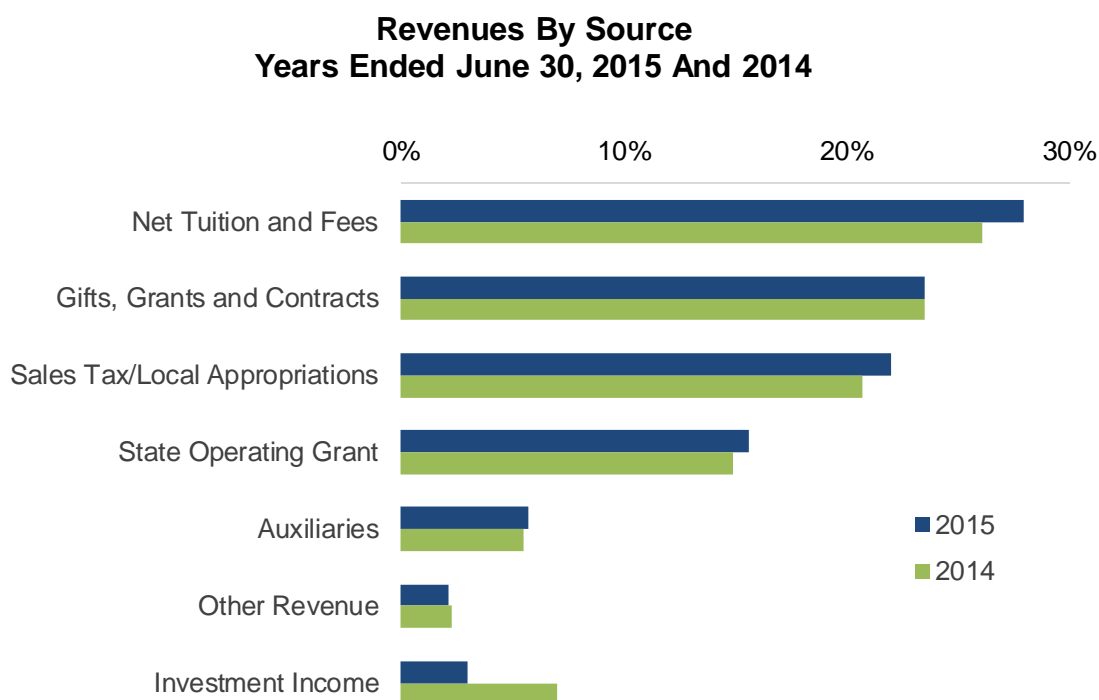
## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

#### Revenues

The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2015 and 2014.



Sales tax/local appropriations and the state operating grant comprise 38.1 percent of the University's revenue for the year ended June 30, 2015 compared to 35.9 percent for the year ended June 30, 2014. The next largest revenue source was net tuition and fees, comprising 28.4 percent of revenue for the year ended June 30, 2015 compared to 26.7 percent for the year ended June 30, 2014. Excluding investment income, sales tax/local appropriations and the state operating grants account for 39.3 percent of revenue in fiscal year 2015, compared to 38.6 percent in fiscal year 2014, while net tuition and fees represent 29.3 percent of revenue, compared to 28.8 percent in the prior fiscal year.

# WASHBURN UNIVERSITY OF TOPEKA

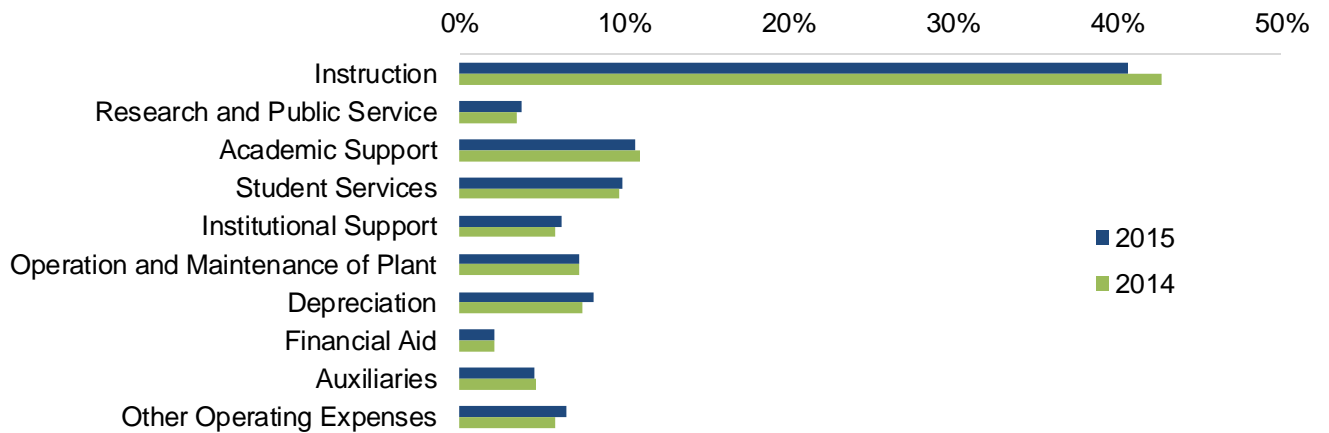
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## Management's Discussion And Analysis (*Continued*)

### Expenses

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2015 and 2014.

**Operating Expenses by Function  
Years Ended June 30, 2015 and 2014**



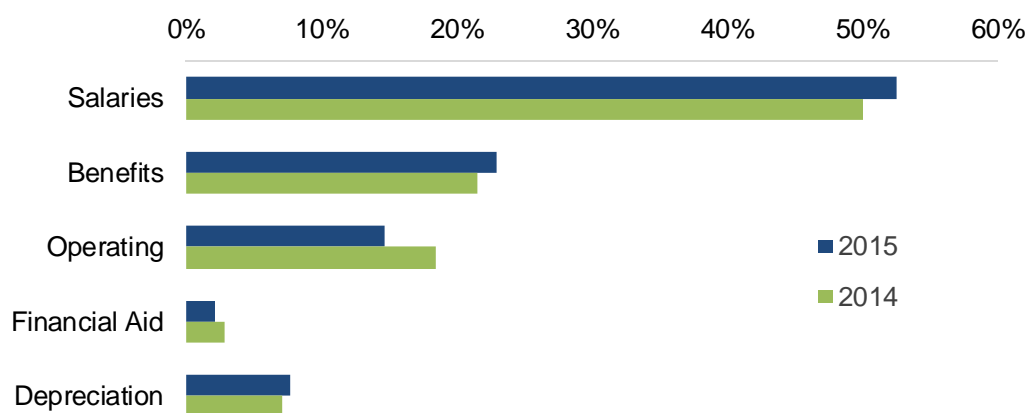
## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

Salaries and benefits comprise 74.4 percent of expenses by natural classification for the year ended June 30, 2015 compared to 73.9 percent for the year ended June 30, 2014. Operating expenses represent 15.4 percent of total expenses for the year ended June 30, 2015 compared to 16.5 percent for the year ended June 30, 2014. Financial aid and depreciation represent the remaining 10.1 percent of expenses for the year ended June 30, 2015 compared to 9.6 percent for the year ended June 30, 2014.

#### Operating Expenses By Natural Classification Years Ended June 30, 2015 And 2014



Instruction expense accounted for 41.8 percent of operating expenses by function for the year ended June 30, 2015 compared to 43.1 percent for the year ended June 30, 2014. The percentages for the remaining operating expenses by functional area range from 10.5 percent for academic support to 2.1 percent for financial aid for the year ended June 30, 2015 compared to 11.0 percent for academic support to 2.1 percent for financial aid for the year ended June 30, 2014.

Note that financial aid expense does not reflect total financial aid awarded to students. It reflects only the portion of financial aid awards in excess of the portion applied to student charges.

### Statement Of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

The Statement of Cash Flows is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section reports the cash used in the acquisition, construction and financing of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Even though GASB No. 35 treats the state operating grant, sales tax collections, gifts and investment income as nonoperating revenues, for higher education institutions, these cash inflows are critical to funding the operations of the University.

#### Condensed Statement Of Cash Flows For The Years Ended June 30, 2016, 2015 And 2014

	2016	2015	2014
Cash provided by (used by):			
Operating activities	\$ (56,240,636)	\$ (56,117,821)	\$ (58,408,973)
Noncapital financing activities	61,283,690	65,402,800	59,717,860
Capital and related financing activities	(38,781,371)	5,796,870	(14,950,048)
Investing activities	3,343,824	4,453,352	4,892,761
Net increase (decrease) in cash	(30,394,493)	19,535,201	(8,748,400)
Cash - beginning of year	57,749,344	38,214,143	46,962,543
Cash - end of year	\$ 27,354,851	\$ 57,749,344	\$ 38,214,143

#### Fiscal Year 2016 Compared To Fiscal Year 2015

Significant sources of cash included sales tax revenues, the state operating grant, tuition and fees. Significant uses of cash were for payments to suppliers and vendors, payments to employees (including benefits), payments for scholarships and fellowships, capital assets and self-insurance claims paid.

The cash position of the University decreased by approximately \$30.4 million for the fiscal year ended June 30, 2016 compared to an increase of approximately \$19.5 million for the fiscal year ended June 30, 2015. This difference is largely attributable to receipts from bond issuance in 2015 and disbursements related to construction projects at Morgan and Lincoln Hall during 2016.

**Fiscal Year 2015 Compared To Fiscal Year 2014**

Significant sources of cash included sales tax revenues, the state operating grant, tuition and fees and the issuance of bonds in June 2015. Significant uses of cash were for payments to suppliers and vendors, payments to employees (including benefits), payments for scholarships and fellowships, capital assets and self-insurance claims paid.

The cash position of the University increased by approximately \$19.5 million for the fiscal year ended June 30, 2015 compared to a decrease of approximately \$8.7 million for the fiscal year ended June 30, 2014.

**Capital Asset And Debt Administration**

***Major Maintenance Funding/Deferred Maintenance***

Each year the University prepares a report entitled, *Major Maintenance Funding Requirements, Five Year Estimate*, to identify the anticipated needs for replacement of major components, and major maintenance needs of buildings and campus infrastructure for a five-year period. These items are prioritized and funded through a combination of sources such as the sales tax capital improvement fund, the debt retirement and construction fund, donor contributions and general fund allocations. As a result of this process, the University actively manages its deferred maintenance issues.

In 2008, the Kansas Legislature enacted the State Educational Institution Long-Term Infrastructure Maintenance Program. One of the Program's provisions is the issuance by the Kansas Development Finance Authority of \$20 million in bonds each fiscal year from fiscal year 2010 through fiscal year 2013. Bond proceeds were allocated to participating institutions in the form of interest-free loans from the state to finance approved infrastructure improvement projects. Principal and interest on the bonds is paid from the state's general fund, and participating institutions reimburse the state for the principal payments each year.

The University submitted four projects to the Kansas Board of Regents for consideration under the Program. Of these projects, two were approved for loan funding, for a total of \$3.4 million. These two projects began in fiscal year 2010. The University is required to pay \$425,625 per year for eight years under the terms of the loan; the initial annual payment was made in October 2008. Funding for these payments comes from property taxes assessed by the University's Debt Retirement and Construction Fund. The final payment on this loan was made in November 2015.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

#### ***Capital Assets***

The University made significant investments in capital assets during fiscal years 2016, 2015 and 2014. At June 30, 2016, the University had \$137.8 million invested in capital assets, net of accumulated depreciation, compared to \$112.5 million and \$101.4 million at June 30, 2015 and 2014, respectively. Depreciation charges totaled \$10.3 million for the fiscal year ended June 30, 2016 compared to \$8.4 million and \$7.8 million for the fiscal years ended June 30, 2015 and 2014, respectively.

Details of these assets are as follows:

#### **Condensed Statement Of Capital Assets, Net Of Depreciation For The Years Ended June 30, 2016, 2015 And 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,444,104	\$ 1,444,104	\$ 1,444,104
Buildings, improvements and infrastructure	88,105,136	74,599,708	69,488,399
Furniture, fixtures and equipment	9,447,750	8,402,313	8,645,545
Computers and electronic equipment	2,125,481	1,779,607	1,731,581
Books and collections	1,028,531	1,082,611	1,098,776
Broadcasting tower, antenna and equipment	1,304,779	1,415,088	1,544,260
Vehicles	855,091	623,593	631,835
Works of art and historical treasures	2,689,354	2,650,354	2,571,714
Construction in progress	30,807,428	20,498,625	14,256,961
	<u>\$ 137,807,654</u>	<u>\$ 112,496,003</u>	<u>\$ 101,413,175</u>

Major additions during the fiscal year ended June 30, 2016 included completion of the Morgan Hall renovation and student welcome center and remodeling of instructional spaces at Washburn Tech. The major project classified as construction in progress at June 30, 2016 was the new student housing and dining facility.

Major additions during the fiscal year ended June 30, 2015 included completion of the majority of the remaining portions of an energy efficiency project, replacement of hail-damaged roofs and a new scoreboard for Moore Bowl.

The major projects classified as construction in progress at June 30, 2015 were the Morgan Hall welcome center, a new student housing and dining facility, parking lots and improvements, the School of Law, and remodeling of instructional spaces at Washburn Tech.

Major additions during the fiscal year ended June 30, 2014 included completed portions of the energy efficiency project, replacement of hail-damaged roofs and remodeled automotive instructional spaces at Washburn Tech.



## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

The major projects classified as construction in progress at June 30, 2014 were the energy efficiency project and construction projects relating to Morgan Hall and the School of Law.

During fiscal 2010, KTWU received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009 (fiscal year 2010). The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The current interest rate is 0.25%, and will reset on February 1, 2016. Annual debt service is funded via KTWU's general fund budget.

### ***Debt***

At June 30, 2016, the University had \$50.8 million in outstanding debt compared to \$53.3 million at June 30, 2015 and \$28.6 million at June 30, 2014. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

**Outstanding Debt Schedule  
As Of June 30, 2016, 2015 And 2014**

	2016	2015	2014
<b>Bonds</b>			
Series 2010	\$ 7,450,000	\$ 8,510,000	\$ 9,550,000
Series 2014	7,895,000	8,785,000	9,655,000
Series 2015A	20,105,000	20,105,000	—
Series 2015B	7,070,000	7,070,000	—
<b>Total Bonds</b>	<b>42,520,000</b>	44,470,000	19,205,000
<b>Capital Lease Liability</b>	<b>8,258,712</b>	8,852,155	9,432,488
<b>Total Outstanding Debt</b>	<b>\$ 50,778,712</b>	\$ 53,322,155	\$ 28,637,488

On June 25, 2015, the University issued \$20,105,000 in Revenue Bonds, Series 2015A ("Series 2015A"), with interest rates of 3.00% to 5.00%. The Series 2015A bonds are due in annual principal payments ranging from \$140,000 to \$1,340,000, and mature between July 1, 2017 and July 1, 2041. Interest payments began on January 1, 2016. The 2015A Series bonds maturing in the years 2026 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2025.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

Also on June 25, 2015, the University issued \$7,070,000 in Revenue Bonds, Series 2015B ("Series 2015B"). The interest rate on the Series 2015B bonds is fixed at 2.1515% through June 30, 2025. Annual principal payments begin on July 1, 2017, ranging from \$305,000 to \$360,000 between then and July 1, 2025. The University may prepay the Series 2015B bonds at any time, subject under certain circumstances to a prepayment penalty not to exceed 2%, declining over time to 0% on and after July 1, 2024.

The interest rate will reset for an additional term to be negotiated on July 1, 2025. The reset rate will equal the sum of (a) 65% of the applicable term Constant Maturity Treasury rate, and (b) 1.00%. The remaining principal balance of \$4,080,000 as of that date will be paid in annual installments ranging from \$370,000 to \$450,000, with a final maturity date of July 1, 2035.

Moody's Investors Service issued an underlying municipal bond rating of A1, with a stable outlook, to the Series 2015A bonds; the Series 2015B bonds are unrated. At the same time, Moody's affirmed the A1 underlying rating of the Series 2014 and 2010 bonds (see below). The Series 2010 bonds have an insured rating of Aa3; the Series 2014, Series 2015A and Series 2015B bonds are not insured. The underlying rating indicates that the University's bonds are considered upper-medium grade and are subject to low credit risk. Further, the insured rating on the Series 2010 bonds indicates that when taking bond insurance into account, the bonds are considered to be high-quality credits, subject to very low credit risk.

On June 30, 2014, the University issued \$9,655,000 of Refunding Revenue Bonds, Series 2014, to currently refund the \$9,935,000 then-outstanding Series 2004 bonds. The Series 2004 bonds were called for redemption and payment on July 1, 2014. The refunding of these bonds did not extend the University's debt service payments, and resulted in an economic gain (the difference between the present value of the old and new debt service payments) of \$1,462,639.

On June 28, 2013, the University entered into a \$10 million, 15-year capital lease to partially fund the energy efficiency project. This capital lease bears interest at 2.236%. The first annual lease payment of \$793,418 was made on June 28, 2014. The lease obligation will be serviced via utility expense savings.

On June 30, 2010, the University issued \$13,500,000 of Refunding Revenue Bonds, Series 2010, to currently refund the \$13,210,000 then-outstanding Series 2001A, Series 2001B and Series 2003 bonds. The Series 2001A, Series 2001B and Series 2003 bonds were called for redemption and payment on July 1, 2010. The refunding of these bonds did not extend the University's debt service payments, and resulted in an economic gain (the difference between the present value of the old and new debt service payments) of \$960,943.

# WASHBURN UNIVERSITY OF TOPEKA

## Management's Discussion And Analysis (Continued)

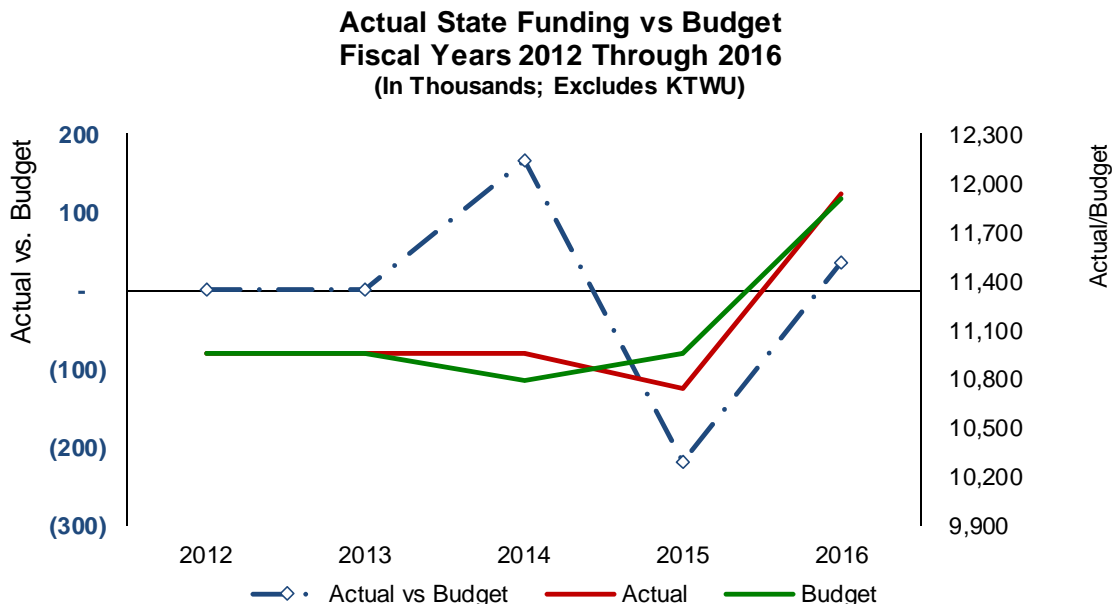
### Economic Outlook

University management believes the University is well positioned to maintain its strong financial condition and to continue providing a quality education to its students and excellent service to its stakeholders. The University's financial position, as evidenced by its A1 rating from Moody's, provides a high degree of flexibility in obtaining funds on competitive terms. This flexibility, along with ongoing efforts toward revenue enhancements and cost containment, will enable the University to obtain the necessary resources to sustain excellence and to continue to execute its long-range plan to modernize and expand its complement of older facilities with a balance of new construction. This strategy addresses the University's growth and the expanding role of technology in teaching and research methodologies.

### State Appropriations

Over the past several years, the University has had to deal with shrinking state appropriations. This experience has been shared with virtually every other public university in the nation. However, due to the relatively small portion of the University's operations funded via the state operating grant, the impact on the University has not been as severe as it has been on other institutions.

Excluding KTUWU, actual state funding received declined each year from fiscal year 2008 through fiscal year 2010, inched upwards by a few thousand dollars in fiscal year 2011, then dropped again in fiscal 2012. Funding for fiscal years 2013 and 2014 was level with fiscal 2012. In fiscal 2015, although the budgeted state appropriation increased to approximately the level of fiscal 2014 actual appropriations, the amount actually received fell, to the lowest level in the past six years.



## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

In response to the ongoing funding trend, the University has extended its annual budget cycle in order to get more timely information relating to state funding. As the chart above shows, until fiscal 2015, the extended budget cycle resulted in actual state appropriations equaling or exceeding budgeted appropriations.

Some review of recent fiscal years may facilitate understanding the current climate. For fiscal year 2011, the University budgeted for a slight (0.3%) increase in the state operating grant. For fiscal 2012, having more timely information about state funding allowed for a timely reduction of budgeted expenses to absorb the 1.2% drop in the operating grant. In fiscal year 2013, both budgeted and actual state funding remained unchanged from fiscal 2012.

After much discussion and negotiation between the legislature and Governor Sam Brownback, the state appropriation for fiscal year 2014 was cut by 1.5%, with an additional cut to come in fiscal year 2015. The University budgeted for a corresponding drop in funding. However, later in the fiscal year, the state restored the cut, returning funding to the fiscal 2013 level. As a result, actual receipts exceeded budget by \$167,000.

Although the possibility of a mid-year budget cut was recognized at the time the University set its fiscal 2015 budget, the budgeted state appropriation was set at the same level as actual fiscal 2014 receipts. At the same time, the University began making contingency plans for expense reductions in the event of a budget cut. In the event, when the budget cut became a reality, the University was able to make budget adjustments in a targeted manner.

Although the state of Kansas continues to experience tax revenue shortfalls, for fiscal 2016, the University has budgeted just under \$1 million of additional state appropriations. This is due to a state budget that slightly increased appropriations, plus an additional appropriation for the University to help fund the new forensics center being established with the opening of the Kansas Bureau of Investigation crime lab facility on the University's campus. During fiscal 2016 budgeted revenues and actual receipts were nearly identical.

The University's fiscal 2017 budget presumes reduced state funding of approximately 4 percent, based upon the uncertainties in state revenue. Due to this ongoing uncertainty surrounding state funding, the University continues to aggressively explore cost-reduction options, as well as possible revenue enhancements.

# WASHBURN UNIVERSITY OF TOPEKA

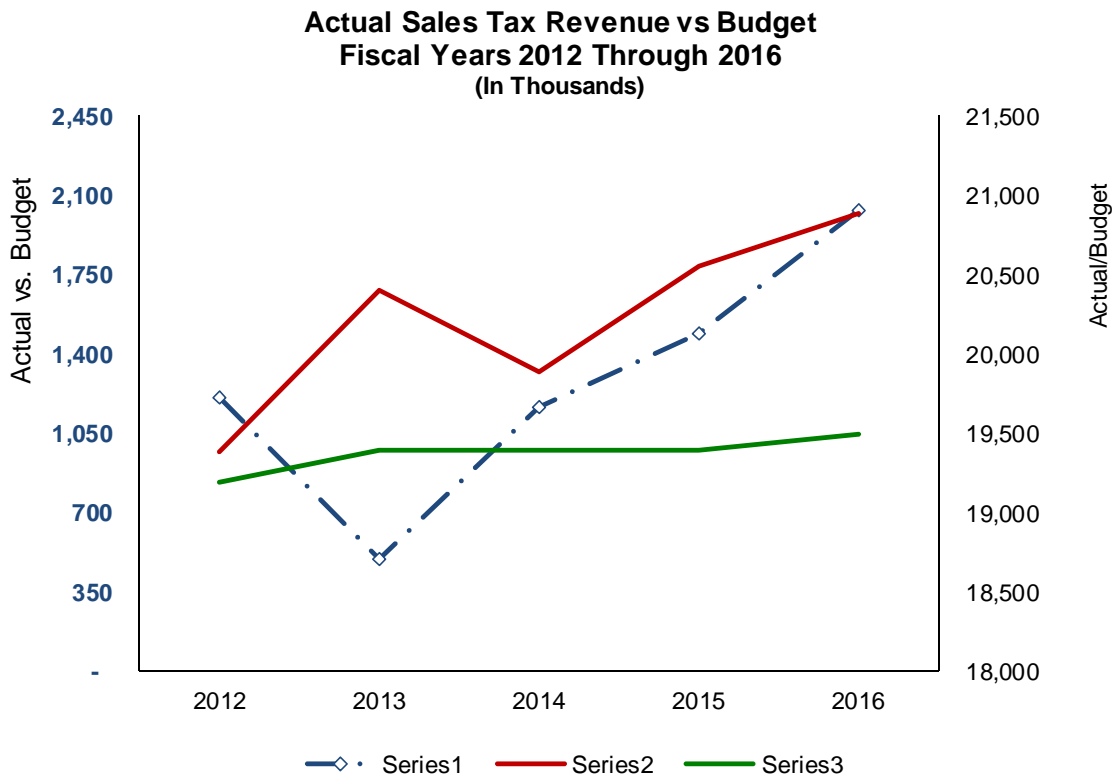
## Management's Discussion And Analysis (Continued)

KTWU, the University's PBS-affiliated television station, was hit harder by state budget cuts than the University as a whole. From fiscal year 2008 through fiscal 2011, KTWU received between \$200,000 and \$300,000 per year in state funding. In fiscal 2012, state funding dropped to zero, and only \$54,000 was later restored for fiscal years 2013 and 2014. In fiscal 2015, KTWU received \$60,000 in state funding. However, in fiscal 2016, no state appropriation for KTWU has been budgeted. This loss of state funding has been made up through a combination of other revenue sources, primarily increased fundraising from the public, and expense reductions.

### Sales Taxes

Sales tax revenues are susceptible to fluctuations beyond the University's ability to control, or, to some extent, anticipate. As a result, the University's practice has been to budget sales tax revenues conservatively.

The chart below shows the budgeted and actual sales tax revenues for fiscal years 2012 through 2016.



Because sales tax collections for three of the four previous fiscal years were less than budgeted, and because of the uncertainty about the economic outlook for fiscal year 2011, the University budgeted a 1.5% (\$393,000) reduction from actual prior year revenues. Collections actually increased by approximately \$192,000 from the previous year.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

Reflecting the University's conservative approach to budgeting sales tax revenue, the fiscal year 2012 budget was increased to equal the amount of actual revenues in fiscal year 2010. This reflected a belief that the economy had improved enough to increase the sales tax revenue budget, but lingering concerns kept the University from increasing the budget to the amount of actual fiscal year 2011 revenues.

Sales tax revenues during fiscal year 2012 were significantly more than budgeted. Revenues were also higher than what had been budgeted each year in the five years prior to fiscal 2011, and represented the highest level of receipts since fiscal 2008. With further evidence that consumer confidence, at least as shown by sales taxes, was returning to pre-recession levels, the University increased the fiscal year 2013 budget, while actually budgeting a 5.0% decrease from actual fiscal year 2012 revenues.

The actual sales tax revenue for fiscal year 2013 exceeded budget by \$494,000. Reflecting its conservative budgeting principles, the University did not change the sales tax budget for fiscal year 2014, budgeting for a 2.5% decrease from actual fiscal year 2013 revenue. Actual revenue again substantially exceeded the budgeted amount, and also were a significant increase over actual fiscal 2013 revenues.

In fiscal 2015, this upward trend in sales tax revenues continued. The University chose to keep the budget for fiscal 2015 at the same level as 2013 and 2014. For the fifth consecutive year, actual sales tax receipts exceeded the amount budgeted, and were just under the highest level of receipts since the University changed from a property tax assessment for operating purposes to a sales tax.

With continuing concerns about the stability of state appropriation levels, sales tax revenues have become even more important as a hedge against a loss of state funding. Although sales tax revenues have been strong over the past few years, the University has chosen to remain conservative in budgeting sales tax revenues. Budgeted sales taxes for fiscal 2016 were \$100,000 higher than in the three previous fiscal years. Nonetheless, the aforementioned trend continued during fiscal 2016, with revenues exceeding the budget by approximately \$1.5 million.

For FY 2017, the University increased its budget of sales tax revenue by approximately \$200,000, compared to the FY 2016 budget. Should state funding be cut further, the University anticipates its conservative budgeting of sales tax revenue will help absorb the reduction.

## WASHBURN UNIVERSITY OF TOPEKA

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### Management's Discussion And Analysis (*Continued*)

#### ***Tuition***

For fiscal year 2012, a 4.3% base tuition rate increase was approved, again to offset expected reductions in state appropriations and relatively flat sales tax revenues. Reflecting strong enrollment in fiscal 2011, an increase of 0.5% in student credit hours was budgeted. Enrollment in fall 2011 increased by approximately 1% compared to fall 2010.

For fiscal year 2013, the Board of Regents approved a 4.2% increase in the base tuition rate, reflecting expected declines in sales tax revenue and in state funding. Budgeted student credit hours were slightly below both actual and budgeted fiscal year 2012 credit hours. Actual fall 2012 enrollment was down slightly compared to fall 2011. Taking the tuition rate increase and budgeted flat credit hours into account, gross tuition revenues were budgeted to be 2.4% higher in fiscal 2013 than what was budgeted in fiscal 2012, and slightly higher than actual fiscal 2012 tuition revenue.

For fiscal year 2014, the Regents approved a 5.3% increase in the base tuition rate. As in previous years, the increase reflected expected declines in sales tax revenue and in state funding. Budgeted student credit hours were 2.4% below budgeted fiscal year 2013 credit hours, and equal to actual fiscal year 2013 credit hours. Actual fall 2013 enrollment was down 3.6% from fall 2012. Taking the tuition rate increase and budgeted lower credit hours into account, gross tuition revenues were budgeted to be 1.3% higher in fiscal 2014 than what was budgeted in fiscal 2013, and slightly higher than actual fiscal 2013 tuition revenue.

The University's Board of Regents approved a 4.6% increase in the base tuition rate for fiscal year 2015. Reflecting a loss of student credit hours in fiscal 2014, the fiscal 2015 budget also contemplated a 3.7% decline in credit hours relative to the prior year's budget. The combined effect of these changes was an increase of 1.56% in budgeted tuition revenue compared to the fiscal 2014 budget. Actual tuition revenue during fiscal year 2015 increased by 2.2% over actual fiscal 2014 tuition revenue.

Due to the modest enrollment decline in fiscal 2015, the University projected a small budgeted reduction in tuition revenue for fiscal 2016. The University also budgeted a 4.8% increase in base tuition rates for fiscal 2016, which was anticipated to make up almost all of the budgeted decline in tuition and fee revenue resulting from the enrollment declines. Actual tuition revenues from all categories resulted in a .7% increase in revenues during fiscal 2016, compared to fiscal 2015.

For fiscal 2017, the University's Board approved varying tuition rate increases, with most categories increasing 5.0 percent. The budgeted gain from rate increases was partially offset by slight enrollment reductions. Therefore, the overall budget presumes a net increase of 3 percent in tuition and fee revenues during fiscal 2017.

## **WASHBURN UNIVERSITY OF TOPEKA**

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### Management's Discussion And Analysis (*Continued*)

Recognizing the distinct possibility of additional state funding reductions during fiscal year 2016, the chance for continued economic uncertainty and to guard against further declines in credit hours, the University continues to explore cost-reduction measures and possible revenue enhancements. Cost reallocations of approximately \$2.4 million are included in the fiscal 2016 budget, reflecting the University's willingness and ability to adjust its cost structure in response to revenue shortfalls.

Other than the foregoing, the University is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

As management wrestles with today's uncertain economic factors, the University's prudent use of resources, cost containment efforts and enhancement of other revenue sources will strengthen the University and ensure it is well positioned to take advantage of future opportunities.

### **Requests For Information**

This financial report is designed to provide the reader a general overview of the University's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Ray Hauke, Interim Associate Vice President for Finance, Washburn University, Morgan Hall 211-A, 1700 SW College Ave., Topeka, Kansas 66621.



# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF NET POSITION

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### Assets And Deferred Outflows Of Resources

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,400,067	\$ 24,337,647
Short-term investments	46,000	46,000
Taxes receivable	3,870,745	3,563,418
Accounts receivable, net of allowance of \$2,380,583 and \$1,874,817 in 2016 and 2015, respectively	9,177,576	7,594,375
Receivable from Washburn University Foundation	298,735	158,794
Other current receivables	300,000	300,000
Inventories	1,020,033	1,085,017
Other assets	1,385,491	1,046,884
<b>Total Current Assets</b>	<b>32,498,647</b>	<b>38,132,135</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	10,954,784	33,411,697
Perkins loans receivable	969,886	801,585
Receivable from Washburn University Foundation	31,248,853	34,379,368
Equity in the net assets of Washburn University Foundation	34,273,841	28,127,159
Endowment investments	259,256	264,150
Prepaid insurance costs	31,837	40,697
Capital assets, net	137,807,654	112,496,003
<b>Total Noncurrent Assets</b>	<b>215,546,111</b>	<b>209,520,659</b>
<b>Total Assets</b>	<b>248,044,758</b>	<b>247,652,794</b>
<b>Deferred Outflows Of Resources</b>		
Excess of bond reacquisition costs over carrying value	519,437	602,938

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF NET POSITION

Page 2 Of 2

### Liabilities And Net Position

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 12,027,814	\$ 9,048,293
Accrued compensated absences, current portion	1,490,725	1,481,884
Accrued postemployment benefits	104,359	—
Unearned revenue	1,757,248	1,243,625
Capital lease obligation, current portion	606,849	593,443
Loans payable, current portion	58,001	57,577
Loan with Kansas Board of Regents, current portion	—	425,625
Building revenue bonds, current portion	2,440,000	1,950,000
Deposits held in custody for others	225,105	206,412
<b>Total Current Liabilities</b>	<b>18,710,101</b>	<b>15,006,859</b>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	229,885	299,392
Accrued postemployment benefits	74,148	103,160
Capital lease obligation	7,651,863	8,258,712
Loans payable	91,270	149,270
Building revenue bonds	41,100,848	43,630,555
<b>Total Noncurrent Liabilities</b>	<b>49,148,014</b>	<b>52,441,089</b>
<b>Total Liabilities</b>	<b>67,858,115</b>	<b>67,447,948</b>
<b>Net Position</b>		
Net investment in capital assets	89,635,294	81,684,436
Restricted		
Nonexpendable		
Endowments	27,857,558	31,109,667
Expendable		
Scholarships, tuition and other	35,782,868	28,656,259
Loans	1,243,952	1,239,287
Self-insurance	5,234,532	5,600,083
Capital projects	—	2,628,878
Debt service	—	1,076,175
Other	3,286,622	4,338,027
Unrestricted	17,665,254	24,474,972
<b>Total Net Position</b>	<b>\$ 180,706,080</b>	<b>\$ 180,807,784</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

### Assets

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,459,759	\$ 1,939,957
Investments	152,003,002	159,469,983
Bequests receivable	118,667	135,736
Pledges receivable	14,319,086	10,710,293
Accrued investment income receivable	79,992	37,845
Beneficial interests in trusts	8,205,333	8,744,434
Furniture and equipment, net of accumulated depreciation of \$303,839 and \$287,691 in 2016 and 2015, respectively	70,186	86,334
<b>Total Assets</b>	<b>\$ 177,256,025</b>	<b>\$ 181,124,582</b>

### Liabilities And Net Assets

<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 326,330	\$ 266,716
Due to Washburn University of Topeka	298,735	131,795
Charitable gift liabilities	361,402	375,697
Funds managed on behalf of Washburn University of Topeka	31,248,853	34,379,368
Funds managed on behalf of Washburn Law School Foundation	6,274,276	7,386,969
<b>Total Liabilities</b>	<b>38,509,596</b>	<b>42,540,545</b>
<b>Net Assets</b>		
Unrestricted	4,395,726	9,901,670
Temporarily restricted	61,567,459	58,401,309
Permanently restricted	72,783,244	70,281,058
<b>Total Net Assets</b>	<b>138,746,429</b>	<b>138,584,037</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 177,256,025</b>	<b>\$ 181,124,582</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

### Assets

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Investments held at Washburn University Foundation	<b>\$ 6,274,276</b>	<b>\$ 7,386,969</b>

### Liabilities And Net Assets

<b>Net Assets</b>		
Unrestricted	\$ 772,149	\$ 1,907,357
Temporarily restricted	347,118	365,638
Permanently restricted	5,155,009	5,113,974
<b>Total Net Assets</b>	<b>6,274,276</b>	<b>7,386,969</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 6,274,276</b>	<b>\$ 7,386,969</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Page 1 Of 2

	For The Years Ended June 30,	
	2016	2015
<b>Operating Revenues</b>		
Tuition and fees (net of scholarship allowances of \$18,117,392 and \$17,553,336 in 2016 and 2015, respectively)	\$ 31,492,892	\$ 31,281,717
Federal grants and contracts	2,205	3,130
State and local grants and contracts	35,682	—
Sales and services of educational departments	1,214,181	1,288,630
Auxiliary enterprises:		
Residential living (net of scholarship allowances of \$165,143 and \$274,267 in 2016 and 2015, respectively; revenues are used as security for revenue bonds Series 2010, 2014, 2015A, and 2015B)	3,080,509	2,603,380
Memorial Union (revenues are used as security for revenue bonds Series 2010)	3,524,876	3,721,266
Other operating revenues	745,334	919,654
<b>Total Operating Revenues</b>	<b>40,095,679</b>	<b>39,817,777</b>
<b>Operating Expenses</b>		
Educational and general:		
Instruction	44,412,095	41,341,129
Research	212,316	371,981
Public service	3,444,283	3,461,034
Academic support	10,894,622	10,906,750
Student services	11,469,769	10,105,993
Institutional support	7,116,135	6,265,482
Operation and maintenance of plant	7,837,969	7,405,200
Depreciation	10,329,875	8,377,826
Financial aid	2,044,146	2,127,373
Auxiliary enterprises:		
Residential living	1,428,180	1,205,208
Memorial union	3,468,695	3,502,580
Self-insurance claims, net of premiums	7,326,414	6,622,916
<b>Total Operating Expenses</b>	<b>109,984,499</b>	<b>101,693,472</b>
<b>Operating Loss</b>	<b>(69,888,820)</b>	<b>(61,875,695)</b>

**WASHBURN UNIVERSITY OF TOPEKA**

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**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

**Page 2 Of 2**

	<b>For The Years Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	\$ 18,194,582	\$ 17,351,051
Local appropriations	25,153,537	24,518,023
Federal grants and contracts	17,347,094	16,491,537
State and local grants and contracts	903,158	1,748,291
Nongovernmental grants and contracts	32,851	60,442
Gifts	3,788,133	7,438,889
Investment income	8,224,245	3,351,869
Interest on indebtedness	(1,203,063)	(294,108)
Other nonoperating expenses	(3,158,166)	(2,987,003)
<b>Net Nonoperating Revenues</b>	<b>69,282,371</b>	<b>67,678,991</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(606,449)</b>	<b>5,803,296</b>
<b>Capital Grants - Federal</b>	<b>—</b>	<b>—</b>
<b>Capital Grants And Gifts - Non-Federal</b>	<b>316,000</b>	<b>431,399</b>
<b>Additions To Permanent Endowments</b>	<b>188,745</b>	<b>149,397</b>
<b>Increase (Decrease) In Net Position</b>	<b>(101,704)</b>	<b>6,384,092</b>
<b>Net Position - Beginning Of Year</b>	<b>180,807,784</b>	<b>174,423,692</b>
<b>Net Position - End Of Year</b>	<b>\$ 180,706,080</b>	<b>\$ 180,807,784</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES - WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support And Revenues</b>				
Support:				
Contributions	\$ 1,907,602	\$ 9,972,025	\$ 2,298,979	\$ 14,178,606
Change in beneficial interest	—	708,169	(181,547)	526,622
<b>Total support</b>	<b>1,907,602</b>	<b>10,680,194</b>	<b>2,117,432</b>	<b>14,705,228</b>
Revenues:				
Investment income (loss)	(342,317)	(2,209,517)	173,294	(2,378,540)
Administration	1,221,638	—	—	1,221,638
Events	114,655	—	—	114,655
Other	194,775	57,001	(19,204)	232,572
<b>Total revenues</b>	<b>1,188,751</b>	<b>(2,152,516)</b>	<b>154,090</b>	<b>(809,675)</b>
Net assets released from restrictions	8,934,487	(8,934,487)	—	—
<b>Total Support And Revenue</b>	<b>12,030,840</b>	<b>(406,809)</b>	<b>2,271,522</b>	<b>13,895,553</b>
<b>Expenses</b>				
Program services	8,830,073	—	—	8,830,073
Management and general	1,639,588	—	—	1,639,588
Fundraising	3,263,500	—	—	3,263,500
<b>Total Expenses</b>	<b>13,733,161</b>	<b>—</b>	<b>—</b>	<b>13,733,161</b>
<b>Excess (Deficit) Of Revenues Over Expenses</b>	<b>(1,702,321)</b>	<b>(406,809)</b>	<b>2,271,522</b>	<b>162,392</b>
<b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b>	<b>(3,355,758)</b>	<b>3,355,758</b>	<b>—</b>	<b>—</b>
<b>Other Fund Transfers, Net</b>	<b>(447,865)</b>	<b>217,201</b>	<b>230,664</b>	<b>—</b>
<b>Change In Net Assets</b>	<b>(5,505,944)</b>	<b>3,166,150</b>	<b>2,502,186</b>	<b>162,392</b>
<b>Net Assets - Beginning Of Year</b>	<b>9,901,670</b>	<b>58,401,309</b>	<b>70,281,058</b>	<b>138,584,037</b>
<b>Net Assets - End Of Year</b>	<b>\$ 4,395,726</b>	<b>\$ 61,567,459</b>	<b>\$ 72,783,244</b>	<b>\$ 138,746,429</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support And Revenues</b>				
Contributions	\$ 80,693	\$ 159	\$ 18,900	\$ 99,752
Return on investments	(76,341)	(142,163)	17,544	(200,960)
Nongift and other income	159	3,000	4,591	7,750
Net assets released from restriction	379,112	(379,112)	—	—
<b>Total Support And Revenues</b>	<b>383,623</b>	<b>(518,116)</b>	<b>41,035</b>	<b>(93,458)</b>
<b>Expenses</b>				
Program expenses:				
Scholarships	731,084	—	—	731,084
General support of Law School	60,048	—	—	60,048
Management and general	228,103	—	—	228,103
<b>Total Expenses</b>	<b>1,019,235</b>	<b>—</b>	<b>—</b>	<b>1,019,235</b>
<b>Excess (Deficit) Of Revenues Over Expenses</b>	<b>(635,612)</b>	<b>(518,116)</b>	<b>41,035</b>	<b>(1,112,693)</b>
<b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b>	<b>(502,334)</b>	<b>502,334</b>	<b>—</b>	<b>—</b>
<b>Other Interfund Transfers, Net</b>	<b>2,738</b>	<b>(2,738)</b>	<b>—</b>	<b>—</b>
<b>Change In Net Assets</b>	<b>(1,135,208)</b>	<b>(18,520)</b>	<b>41,035</b>	<b>(1,112,693)</b>
<b>Net Assets - Beginning Of Year</b>	<b>1,907,357</b>	<b>365,638</b>	<b>5,113,974</b>	<b>7,386,969</b>
<b>Net Assets - End Of Year</b>	<b>\$ 772,149</b>	<b>\$ 347,118</b>	<b>\$ 5,155,009</b>	<b>\$ 6,274,276</b>



# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support And Revenues</b>				
Support:				
Contributions	\$ 1,885,107	\$ 5,530,006	\$ 3,060,006	\$ 10,475,119
Change in beneficial interest	—	368,737	(144,028)	224,709
<b>Total support</b>	<b>1,885,107</b>	<b>5,898,743</b>	<b>2,915,978</b>	<b>10,699,828</b>
Revenues:				
Investment income	(37,874)	108,185	164,272	234,583
Administration	1,224,231	—	—	1,224,231
Events	122,186	—	—	122,186
Other	150,106	56,217	(18,854)	187,469
<b>Total revenues</b>	<b>1,458,649</b>	<b>164,402</b>	<b>145,418</b>	<b>1,768,469</b>
Net assets released from restrictions	7,435,839	(7,435,839)	—	—
<b>Total Support And Revenue</b>	<b>10,779,595</b>	<b>(1,372,694)</b>	<b>3,061,396</b>	<b>12,468,297</b>
<b>Expenses</b>				
Program services	7,081,570	—	—	7,081,570
Management and general	1,781,584	—	—	1,781,584
Fundraising	2,859,044	—	—	2,859,044
<b>Total Expenses</b>	<b>11,722,198</b>	<b>—</b>	<b>—</b>	<b>11,722,198</b>
<b>Excess (Deficit) Of Revenues Over Expenses</b>	<b>(942,603)</b>	<b>(1,372,694)</b>	<b>3,061,396</b>	<b>746,099</b>
<b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b>				
<b>Other Fund Transfers, Net</b>	<b>(458,201)</b>	<b>(34,796)</b>	<b>492,997</b>	<b>—</b>
<b>Change In Net Assets</b>	<b>(3,405,586)</b>	<b>597,292</b>	<b>3,554,393</b>	<b>746,099</b>
<b>Net Assets - Beginning Of Year</b>	<b>13,307,256</b>	<b>57,804,017</b>	<b>66,726,665</b>	<b>137,837,938</b>
<b>Net Assets - End Of Year</b>	<b>\$ 9,901,670</b>	<b>\$ 58,401,309</b>	<b>\$ 70,281,058</b>	<b>\$ 138,584,037</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support And Revenues</b>				
Contributions	\$ 109,008	\$ (106)	\$ 34,996	\$ 143,898
Return on investments	3,495	3,195	17,819	24,509
Nongift and other income	(1,448)	4,500	1,500	4,552
Net assets released from restriction	358,978	(358,978)	—	—
<b>Total Support And Revenues</b>	<b>470,033</b>	<b>(351,389)</b>	<b>54,315</b>	<b>172,959</b>
<b>Expenses</b>				
Program expenses:				
Scholarships	787,653	—	—	787,653
General support of Law School	72,192	—	—	72,192
Management and general	243,111	—	—	243,111
<b>Total Expenses</b>	<b>1,102,956</b>	<b>—</b>	<b>—</b>	<b>1,102,956</b>
<b>Excess (Deficit) Of Revenues Over Expenses</b>	<b>(632,923)</b>	<b>(351,389)</b>	<b>54,315</b>	<b>(929,997)</b>
<b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b>	<b>(321,890)</b>	<b>321,890</b>	<b>—</b>	<b>—</b>
<b>Other Interfund Transfers, Net</b>	<b>5,270</b>	<b>(5,270)</b>	<b>—</b>	<b>—</b>
<b>Change In Net Assets</b>	<b>(949,543)</b>	<b>(34,769)</b>	<b>54,315</b>	<b>(929,997)</b>
<b>Net Assets - Beginning Of Year</b>	<b>2,856,900</b>	<b>400,407</b>	<b>5,059,659</b>	<b>8,316,966</b>
<b>Net Assets - End Of Year</b>	<b>\$ 1,907,357</b>	<b>\$ 365,638</b>	<b>\$ 5,113,974</b>	<b>\$7,386,969</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF CASH FLOWS

Page 1 Of 2

	For The Years Ended June 30,	
	2016	2015
<b>Cash Flows From Operating Activities</b>		
Tuition and fees	\$ 31,463,178	\$ 31,192,418
Grants and contracts	37,887	3,130
Auxiliary enterprise charges:		
Residential Living	3,119,408	2,184,114
Memorial Union	3,506,505	3,643,778
Sales and services of educational departments	1,214,181	1,392,098
Collection of loans issued to students	79,052	212,396
Other receipts	3,710,319	577,093
Self-insurance premiums	844,745	990,678
Payments to suppliers	(17,205,500)	(14,896,868)
Payments to employees	(72,547,753)	(71,137,392)
Payments for scholarships and fellowships	(2,044,146)	(2,127,373)
Loans issued to students	(247,353)	(309,399)
Payments for self-insurance claims and administrative fees	(8,171,159)	(7,842,494)
<b>Net Cash Used In Operating Activities</b>	<b>(56,240,636)</b>	<b>(56,117,821)</b>
<b>Cash Flows Provided By Investing Activities</b>		
Interest on investments	3,343,824	4,453,352
<b>Cash Flows From Noncapital Financing Activities</b>		
State appropriations	18,194,582	17,351,051
Local appropriations	25,749,368	24,760,780
Gifts and grants for other than capital purposes	21,168,078	22,443,695
Federal Family Education loan receipts	34,658,455	39,693,862
Federal Family Education loan disbursements	(35,347,320)	(38,829,369)
Agency account transactions	(3,139,473)	(17,219)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>61,283,690</b>	<b>65,402,800</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Proceeds from issuance of debt	—	27,862,606
Issue costs paid on debt	—	(194,884)
Capital grants and gifts received	—	361,087
Purchase of capital assets	(34,029,129)	(18,484,571)
Principal paid on capital loans	(483,201)	(471,260)
Principal paid on capital lease	(593,443)	(581,824)
Principal paid on long-term debt	(1,950,000)	(1,920,042)
Interest paid on long-term debt	(1,725,598)	(774,242)
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>(38,781,371)</b>	<b>5,796,870</b>
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(30,394,493)</b>	<b>19,535,201</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>57,749,344</b>	<b>38,214,143</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 27,354,851</b>	<b>\$ 57,749,344</b>

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF CASH FLOWS

Page 2 Of 2

	For The Years	
	Ended June 30,	
	2016	2015
<b>Reconciliation Of Operating Loss To Net Cash</b>		
<b>Used In Operating Activities</b>		
Operating loss	\$ (69,888,820)	\$ (63,785,707)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	10,329,875	8,377,826
Provision for uncollectible accounts receivable	488,209	413,286
Write-off of Perkins loans	9,250	18,316
Loss on disposal of fixed assets	1,102,560	—
Changes in assets and liabilities:		
Receivables, net	(1,382,545)	(1,524,187)
Inventories	64,984	(17,299)
Receivables from Washburn University Foundation	2,233,952	(24,955)
Other assets	(329,747)	733,322
Perkins loans receivable	(177,551)	5,956
Accounts payable	780,893	(251,400)
Compensated absences	(60,666)	(50,324)
Postemployment benefits	75,347	15,408
Unearned revenue	513,623	(28,063)
<b>Net Cash Used In Operating Activities</b>	<b>\$ (56,240,636)</b>	<b>\$ (56,117,821)</b>
<b>Noncash Investing And Financing Transactions</b>		
Change in fair value of investments	\$ (3,338,930)	\$ (2,533,475)
Bond issuance costs reducing proceeds of capital debt	—	115,604
Capitalization of interest	516,329	503,953
Capital gifts	316,000	411,613
Capital additions included in accounts payable	2,198,628	3,401,280

# WASHBURN UNIVERSITY OF TOPEKA

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 And 2015

### 1. **Organization And Summary Of Significant Accounting Policies**

The accounting policies of Washburn University of Topeka (the University) conform to U.S. generally accepted accounting principles applicable to public institutions engaged only in business-type activities, as adopted by the Governmental Accounting Standards Board (GASB).

#### **Reporting Entity**

The University is a municipal university governed by an appointed nine-member Board of Regents. The Board of Regents is comprised of the mayor of Topeka, three members appointed by the mayor, one member appointed by the Shawnee County Commission, three members appointed by the governor of Kansas, and one member appointed by the Kansas Board of Regents. The mayor of Topeka and the regent appointed by the Kansas Board of Regents serve as long as they are in their respective positions. All other regents are appointed for four-year terms.

Washburn Institute of Technology (Washburn Tech) is a technical school providing vocational and technical education to both high school students and post-secondary students. Students may participate in programs ranging from single courses to certificate programs to associate degree programs. The associate degree programs allow students to take general education courses from the University to complete the non-technical requirements of the degree.

### **Component Units**

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, the University has identified three component units to be included in the accompanying financial statements. Because the University's Board of Regents is also the governing body of Washburn Tech, and because the University's management has operational responsibility for Washburn Tech, the financial statements present the University and Washburn Tech as a blended entity. The University's discretely-presented component units are reported in separate basic financial statements to emphasize that they are legally separate from the University. References in these financial statements and notes to "the University" refer to the blended entity unless otherwise noted.

### **Discretely-Presented Component Units**

The University's discretely-presented component units, Washburn University Foundation (the Foundation) and Washburn Law School Foundation (the Law Foundation), receive funds primarily through donations, and contribute funds to the University to support various programs. The economic resources received or held by the foundations are almost entirely for the direct benefit of the University or Washburn Tech. Further, the University is entitled to a majority of such economic resources, and such economic resources are significant to the University.

Washburn University Foundation is a Kansas not-for-profit organization created to assist in the promotion, development and enhancement of the financial resources for Washburn University of Topeka, as well as to receive and hold in trust any assets given for the benefit of the University. The Foundation manages primarily endowment or trust funds, the income from which is used for the benefit of the University. The Foundation is responsible for the fund raising activities of the University.

Washburn Law School Foundation is a Kansas not-for-profit organization created to promote, maintain, improve and support the School of Law of Washburn University of Topeka, as well as to provide scholarships to students attending the law school.

The financial statements of the Foundation and Law Foundation follow Financial Accounting Standards Board (FASB) standards. Certain FASB revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information included in the University's financial statements for these differences. Complete audited financial statements for these component units may be obtained at their administrative offices at 1729 MacVicar Avenue, Topeka, KS 66604.

**Measurement Focus, Basis Of Accounting And Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred or a benefit has been received, regardless of the timing of related cash flows. All significant intra-University transactions have been eliminated.

The University distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. The University's primary operating revenues include student tuition and fees, sales and services of auxiliary enterprises and sales and services of educational departments. Almost all of the University's expenses result from exchange transactions. Operating expenses include the costs of providing education and auxiliary services, administrative expenses and depreciation on capital assets.

Certain significant revenues relied upon for operations, such as sales and property taxes (included in local appropriations), state appropriations, most grants and other contributions, do not result from exchange transactions, and are recorded as nonoperating revenues. The primary nonoperating expense is interest on indebtedness. Other significant nonoperating expenses are uncapitalized capital asset expenditures and bond issuance costs.

On an accrual basis, sales tax revenue is recognized at the time of the underlying transaction. Revenue from property taxes is recognized in the period which the levy is intended to finance. Revenue from grants, state appropriations and other contributions is recognized in the year in which all eligibility requirements have been satisfied.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements *(Continued)*

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, where the University must provide local resources to be used for a specified purpose; and expenditure requirements, where the resources are provided to the University on a reimbursement basis.

#### **Cash And Cash Equivalents**

The University considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents which are restricted by external entities for capital expenditures, health insurance claims, or debt service are reported as restricted cash.

#### **Accounts Receivable**

Accounts receivable are recorded net of an allowance for estimated uncollectible amounts. Receivables are charged off against the allowance when deemed uncollectible. Recoveries of receivables previously charged off are recorded as revenue when received.

#### **Inventories**

Inventories are recorded at the lower of cost, using the first-in, first-out method, or market.

#### **Investments**

Investments, with the exception of certificates of deposit, are recorded at fair value based on quoted market prices. Certificates of deposit are recorded at cost because they are not affected by market rate changes.

#### **Bond Issuance Costs**

Bond issuance costs are generally expensed when incurred, as they represent an outflow of resources. Prepaid bond insurance costs are capitalized and amortized over the life of the bonds using the effective interest method.

#### **Capital Assets**

Capital assets include land, buildings, furniture, equipment, vehicles, books and collections, works of art and construction in progress. Capital assets are defined as assets with an initial individual cost of more than \$100,000 for buildings, improvements and infrastructure, and \$5,000 for all other assets, and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.



## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (*Continued*)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. The University capitalizes interest on the construction of capital assets when material. The amount of interest capitalized was \$516,329 and \$503,953 for the years ended June 30, 2016 and 2015, respectively.

The University's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. Certain works of art and historical treasures, which are deemed to be inexhaustible, are assets whose economic lives are used up so slowly their useful lives are extraordinarily long and are not depreciated. The estimated useful lives are:

Buildings, improvements and infrastructure	3 - 60 years
Furniture, fixtures and equipment	3 - 25 years
Computers and electronic equipment	3 - 7 years
Books and collections	5 - 7 years
Broadcasting tower, antenna and equipment	5 - 40 years
Vehicles	3 - 15 years

Equipment purchased with grant proceeds, for which the granting agency has a reversionary interest, is capitalized. These assets must be used for the purpose set forth in the grant agreement between the University and the granting agency.

The University's works of art and historical treasures that meet the following criteria have not been capitalized and, therefore, are not recorded:

- The collection is held for public exhibition, education or research in furtherance of public service, rather than financial gain.
- The collection is kept protected, kept unencumbered, cared for and preserved.
- The collection is subject to an organizational policy that requires the proceeds from the sales of collection items to be used to acquire other items for the collection.

### **Unearned Revenue**

Tuition and fees billed to or received from students before year-end which relate to subsequent periods are shown as unearned revenue on the statements of net position.

**Compensated Absences**

The University provides paid vacation and sick leave to employees on an annual basis. The provision for and accumulation of vacation and sick leave is based upon employment classification. Employees are paid for accumulated vacation leave when employment is terminated. Employees are not paid for accumulated sick leave upon termination.

**Other Postemployment Benefits And Early Retirement**

Certain current and retired Washburn Tech employees are participants in the Topeka Public Schools (TPS) early retirement plan. The University assumed the liability for postemployment benefits of these employees at the time of the affiliation with Washburn Tech. Because the amount of the assumed liability is not available from TPS, the University calculated its liability of \$19,376 and \$103,160 at June 30, 2016 and 2015, respectively, using the alternative measurement method allowed by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, using demographic information provided by TPS. For purposes of applying GASB No. 45, the early retirement plan is treated as if it is a single-employer plan with fewer than 100 employees.

During the year ended June 30, 2016, the University offered an early retirement incentive to eligible employees. Benefits under this offer are accounted for in compliance with GASB Statement No. 47, *Accounting for Termination Benefits*. As of June 30, 2016, the liabilities include a current liability of \$2,797,232 within accounts payable and accrued liabilities on the statement of net position for cash payments due to participating employees as well as other postemployment benefits totaling \$159,131, of which \$74,148 is recognized as a noncurrent liability on the statement of net position.

**Net Position**

The University's net position is classified as follows:

Net Investment in Capital Assets

This represents the University's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted Net Position - Nonexpendable

This represents gifts that have been received for endowment purposes, the corpus of which cannot be expended.

## **WASHBURN UNIVERSITY OF TOPEKA**

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### Notes to Financial Statements *(Continued)*

#### Restricted Net Position - Expendable

This includes resources the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted first, and then unrestricted resources, as they are needed.

#### Unrestricted Net Position

This includes resources derived from student tuition and fees, state and local appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Board of Regents to meet current expenses for any purpose.

#### **Property Taxes**

The lien date for property taxes is January 1. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. Billing and collection is done by Shawnee County. Assessed values are established by the Shawnee County appraiser's office.

#### **Income Taxes**

The University is a municipal entity and is not subject to income taxes. However, income from certain activities not directly related to the University's tax exempt purpose is subject to taxation as unrelated business income.

#### **Fair Value Reporting**

The University categorizes its fair value measurements applicable for reporting its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

### **Use Of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Reclassifications**

Certain 2015 amounts have been reclassified to conform to the 2016 presentation. These reclassifications had no effect on total net position.

## **2. Budgetary Information**

Kansas statutes require an annual operating budget be legally adopted for the general fund, certain restricted funds and debt service funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time.

On March 20, 2015, notice was published of a public hearing to be held on March 30, 2015 to amend the University's originally adopted budget. The University's Board of Regents approved the budget amendment at that time. There were no such budget amendments for the year ended June 30, 2016.

# WASHBURN UNIVERSITY OF TOPEKA

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## Notes to Financial Statements *(Continued)*

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

### 3. Cash And Investments

The University maintains a cash and investment pool that is available for use by all funds.

#### Deposits

At June 30, 2016 and 2015, the University's cash and cash equivalents consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 16,400,067	\$ 24,337,647
Restricted cash and cash equivalents	10,954,784	33,411,697
	<u>\$ 27,354,851</u>	<u>\$ 57,749,344</u>

Restricted cash and cash equivalents represents amounts which are restricted, by statute or contractually, for use in capital projects, for payment of self-insured health insurance claims, or for debt service.

Custodial credit risk is the risk that, in the event of a bank failure, an entity's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

At June 30, 2016 and 2015, the University's cash and cash equivalents were held in the following institutions:

	<u>2016</u>	<u>2015</u>
Deposits at financial institutions	\$ 6,707,644	\$ 9,830,340
Deposits in State of Kansas Municipal Investment Pool	<u>20,647,207</u>	<u>47,919,004</u>
	<u>\$ 27,354,851</u>	<u>\$ 57,749,344</u>

The University had no bank balances exposed to custodial credit risk at June 30, 2016 or 2015.

At June 30, 2016 and 2015, the University had the following short-term investments (which have an original maturity date of one year or less):

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 46,000	\$ 46,000

### Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements and in mutual funds. It may also invest to a limited extent in corporate bonds and equity securities.

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2016 and 2015. The University currently does not maintain a formal investment policy that addresses interest rate or credit risks. However, management believes the University has complied with the State of Kansas' statutes and regulations regarding investment activity.

Endowment investments reported by the University at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Preferred stocks (Level 1), carried at fair value (cost of \$0 for 2016 and 2015)	\$ 150	\$ 150
Mutual funds (Level 1), carried at fair value (cost of \$224,553 and \$214,615 for 2016 and 2015, respectively)	<u>259,106</u>	<u>264,000</u>
	<u>\$ 259,256</u>	<u>\$ 264,150</u>

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements *(Continued)*

Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's mutual funds are due in less than one year. Credit risk is the risk that the University will not recover its investments due to the ability of the counterparty to fulfill their obligation. As of June 30, 2016, the mutual funds were unrated.

The University also maintains deposits with the State of Kansas Municipal Investment Pool (KMIP) throughout the year. Deposits in the amount of \$20,647,207 and \$47,919,004, which approximates fair value (Level 2), at June 30, 2016 and 2015, respectively, were held in the KMIP Overnight Municipal Investment Pool (OMIP). Deposits in the OMIP are invested nightly by the KMIP in a transaction similar to a repurchase agreement with a bank. The University does not have securities specifically listed in its name as part of its participation in the OMIP, and money can be withdrawn without penalty daily. The KMIP is included within the Kansas Pooled Money Investment Portfolio, which is rated AAA by Standard & Poor's. The pool is managed and overseen by the Pooled Money Investment Board.

#### 4. Receivable From Washburn University Foundation

Receivables from the Foundation consist of the University's participation in the investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of the Foundation's investments is recorded as a receivable from the Foundation. Receivables from the Foundation consisted of the following items held by the Foundation as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions for scholarships and other activities	\$ 1,485,588	\$ 1,499,894
Held pledges receivable	30,695	26,301
Restricted endowment income	1,589,756	1,581,510
Unreimbursed operating expenses of the Foundation due to the University	298,735	158,794
University endowment funds managed by the Foundation (see activity below)	<u>28,142,814</u>	<u>31,271,663</u>
	<u>\$ 31,547,588</u>	<u>\$ 34,538,162</u>

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements *(Continued)*

Receivables from the Foundation are presented in the statements of net position as follows:

	<u>2016</u>	<u>2015</u>
Current receivable from		
Washburn University Foundation	\$ 298,735	\$ 158,794
Noncurrent receivable from		
Washburn University Foundation	<u>31,248,853</u>	<u>34,379,368</u>
	<u>\$ 31,547,588</u>	<u>\$ 34,538,162</u>

The University has transferred to the Washburn University Foundation certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Foundation. The activity of these assets at June 30, 2016 and 2015 and for the years then ended is as follows:

	<u>2016</u>	<u>2015</u>
Beginning principal transferred	\$ 23,364,886	\$ 23,364,886
Post-transfer additions, beginning of year	4,185,312	3,864,025
Earnings added to corpus during the year	167,593	171,890
Gifts received during the year	<u>188,745</u>	<u>149,397</u>
End of year, at cost	27,906,536	27,550,198
Cumulative net unrealized gains	<u>236,278</u>	<u>3,721,465</u>
End of year, at fair value	<u>\$ 28,142,814</u>	<u>\$ 31,271,663</u>

### 5. Equity In The Net Assets Of Washburn University Foundation

Contributions for specific capital projects, scholarships and other activities are being held and invested by the Foundation until the University requests the funds be transferred to the University. The University had a claim on the net assets of the Foundation in the amount of \$34,273,841 and \$28,127,159 as of June 30, 2016 and 2015, respectively.



# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### 6. Capital Assets

The following is a summary of capital assets for the years ended June 30, 2016 and 2015:

	2016				Balance - June 30, 2016
	Balance - July 1, 2015	Additions	Retirements	Construction In Progress Placed In Service	
Capital assets, not being depreciated:					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	2,650,354	39,000	—	—	2,689,354
Construction in progress	20,498,625	32,813,311	—	(22,504,508)	30,807,428
<b>Total capital assets, not being depreciated</b>	<b>24,593,083</b>	<b>32,852,311</b>	<b>—</b>	<b>(22,504,508)</b>	<b>34,940,886</b>
Capital assets, being depreciated:					
Buildings, improvements and infrastructure	146,562,190	21,430,263	(1,810,977)	—	166,181,476
Furniture, fixtures and equipment	26,631,538	2,948,886	(101,082)	—	29,479,342
Computers and electronic equipment	17,269,546	1,397,513	(71,037)	—	18,596,022
Books and collections	20,829,449	284,933	—	—	21,114,382
Broadcasting tower, antenna and equipment	8,246,754	—	(230,851)	—	8,015,903
Vehicles	1,493,413	334,688	(13,196)	—	1,814,905
<b>Total capital assets, being depreciated</b>	<b>221,032,890</b>	<b>26,396,283</b>	<b>(2,227,143)</b>	<b>—</b>	<b>245,202,030</b>
Less accumulated depreciation for:					
Buildings, improvements and infrastructure	(71,962,482)	(6,827,688)	713,830	—	(78,076,340)
Furniture, fixtures and equipment	(18,229,225)	(1,903,447)	101,080	—	(20,031,592)
Computers and electronic equipment	(15,489,939)	(1,051,639)	71,037	—	(16,470,541)
Books and collections	(19,746,838)	(339,013)	—	—	(20,085,851)
Broadcasting tower, antenna and equipment	(6,831,666)	(110,309)	230,851	—	(6,711,124)
Vehicles	(869,820)	(97,779)	7,785	—	(959,814)
<b>Total accumulated depreciation</b>	<b>(133,129,970)</b>	<b>(10,329,875)</b>	<b>1,124,583</b>	<b>—</b>	<b>(142,335,262)</b>
<b>Total capital assets being depreciated, net</b>	<b>87,902,920</b>	<b>16,066,408</b>	<b>(1,102,560)</b>	<b>—</b>	<b>102,866,768</b>
<b>Total capital assets</b>	<b>\$ 112,496,003</b>	<b>\$ 48,918,719</b>	<b>\$ (1,102,560)</b>	<b>\$ (22,504,508)</b>	<b>\$ 137,807,654</b>

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

	2015				
	Balance - July 1, 2014	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	2,571,714	83,500	(4,860)	—	2,650,354
Construction in progress	14,256,961	16,828,762	—	(10,587,098)	20,498,625
Total capital assets, not being depreciated	18,272,779	16,912,262	(4,860)	(10,587,098)	24,593,083
Capital assets, being depreciated:					
Buildings, improvements and infrastructure	136,284,396	10,290,394	(12,600)	—	146,562,190
Furniture, fixtures and equipment	25,274,514	1,526,234	(169,210)	—	26,631,538
Computers and electronic equipment	16,546,387	947,796	(224,637)	—	17,269,546
Books and collections	20,494,623	334,826	—	—	20,829,449
Broadcasting tower, antenna and equipment	8,323,251	—	(76,497)	—	8,246,754
Vehicles	1,415,113	78,300	—	—	1,493,413
Total capital assets, being depreciated	208,338,284	13,177,550	(482,944)	—	221,032,890
Less accumulated depreciation for:					
Buildings, improvements and infrastructure	(66,795,997)	(5,179,085)	12,600	—	(71,962,482)
Furniture, fixtures and equipment	(16,628,969)	(1,732,266)	132,010	—	(18,229,225)
Computers and electronic equipment	(14,814,806)	(899,770)	224,637	—	(15,489,939)
Books and collections	(19,395,847)	(350,991)	—	—	(19,746,838)
Broadcasting tower, antenna and equipment	(6,778,991)	(129,172)	76,497	—	(6,831,666)
Vehicles	(783,278)	(86,542)	—	—	(869,820)
Total accumulated depreciation	(125,197,888)	(8,377,826)	445,744	—	(133,129,970)
Total capital assets being depreciated, net	83,140,396	4,799,724	(37,200)	—	87,902,920
Total capital assets	\$101,413,175	\$ 21,711,986	\$ (42,060)	\$ (10,587,098)	\$ 112,496,003

The University had approximately \$6,938,000 and \$27,487,000 at June 30, 2016 and 2015, respectively, in commitments for building construction and other contracts.

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### 7. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2016 and 2015:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion	Noncurrent Portion
Bonds, capital leases and loans:						
Building revenue bonds	\$ 44,470,000	\$ —	\$ 1,950,000	\$ 42,520,000	\$ 2,440,000	\$ 40,080,000
Capital lease	8,852,155	—	593,443	8,258,712	606,849	7,651,863
Loans payable	632,472	—	483,201	149,271	58,001	91,270
Total bonds, capital leases and loans	53,954,627	—	3,026,644	50,927,983	3,104,850	47,823,133
Other noncurrent liabilities:						
Unamortized bond premium	1,110,555	—	89,707	1,020,848	—	1,020,848
Compensated absences	1,781,276	—	60,666	1,720,610	1,490,725	229,885
Postemployment benefits	103,160	163,975	88,628	178,507	104,359	74,148
Total other noncurrent liabilities	2,994,991	163,975	239,001	2,919,965	1,595,084	1,324,881
Total noncurrent liabilities	\$ 56,949,618	\$ 163,975	\$ 3,265,645	\$ 53,847,948	\$ 4,699,934	\$ 49,148,014

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion	Noncurrent Portion
Bonds, capital leases and loans:						
Building revenue bonds	\$ 19,205,000	\$ 27,175,000	\$ 1,910,000	\$ 44,470,000	\$ 1,950,000	\$ 42,520,000
Capital lease	9,432,488	—	580,333	8,852,155	593,443	8,258,712
Loans payable	1,115,265	—	482,793	632,472	483,202	149,270
Total bonds, capital leases and loans	29,752,753	27,175,000	2,973,126	53,954,627	3,026,645	50,927,982
Other noncurrent liabilities:						
Unamortized bond premium	351,341	803,210	43,996	1,110,555	—	1,110,555
Compensated absences	1,831,600	—	50,324	1,781,276	1,481,884	299,392
Postemployment benefits	87,752	126,414	111,006	103,160	—	103,160
Total other noncurrent liabilities	2,270,693	929,624	205,326	2,994,991	1,481,884	1,513,107
Total noncurrent liabilities	\$ 32,023,446	\$ 28,104,624	\$ 3,178,452	\$ 56,949,618	\$ 4,508,529	\$ 52,441,089

### Building Revenue Bonds

#### Revenue Bonds – Series 2015A

On June 25, 2015, the University issued \$20,105,000 in Revenue Bonds, Series 2015A (the “2015A Series”), with interest rates of 3.00% to 5.00%. The 2015A Series bonds are due in annual principal payments ranging from \$140,000 to \$1,340,000, and mature between July 1, 2017 and July 1, 2041. Interest payments on the 2015A Series began on January 1, 2016.

The 2015A Series bonds maturing in the years 2026 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2025.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (*Continued*)

#### Revenue Bonds – Series 2015B

On June 25, 2015, the University issued \$7,070,000 in Revenue Bonds, Series 2015B (the “2015B Series”). The interest rate on the 2015B Series is fixed at 2.1515% through June 30, 2025. Annual principal payments begin on July 1, 2017, ranging from \$305,000 to \$360,000 between then and July 1, 2025. The University may prepay the 2015B Series at any time, subject under certain circumstances to a prepayment penalty not to exceed 2%, declining over time to 0% on and after July 1, 2024.

The interest rate will reset for an additional term to be negotiated on July 1, 2025. The reset rate will equal the sum of (a) 65% of the applicable term Constant Maturity Treasury rate, and (b) 1.00%. The remaining principal balance of \$4,080,000 as of that date will be paid in annual installments ranging from \$370,000 to \$450,000, with a final maturity date of July 1, 2035.

#### Refunding Revenue Bonds – Series 2014

On June 30, 2014, the University issued \$9,655,000 in Refunding Revenue Bonds (the “2014 Series”), with interest rates of 2.00% to 4.00%, to currently refund \$9,935,000 of Series 2004 bonds (the “2004 Series”). The 2004 Series was called for redemption and payment on July 1, 2014. Annual principal payments on the 2014 Series range from \$435,000 to \$965,000.

The current refunding of the 2004 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$534,130, which is being amortized over the remaining life of the original bonds (through July 1, 2029). Amortization of this refunding cost during the years ended June 30, 2016 and 2015 was \$61,599 and \$31,795, respectively.

Upon completion of this refunding, the University did not extend its debt service payments. The original maturity of the 2004 Series bonds was July 1, 2029. The refunding resulted in a cash flow savings of \$1,655,054 and an economic gain (the difference between the present values of the old and new debt service payments) of \$1,462,639.

#### Building Refunding Revenue Bonds - Series 2004

The 2004 Series bonds were currently refunded on July 1, 2014 through the issuance of the 2014 Series bonds, as discussed above.

Refunding Revenue Bonds - Series 2010

The 2010 Series bonds consist of serial bonds due in annual principal payments ranging from \$495,000 to \$1,255,000 and mature between July 1, 2017 and July 1, 2023. The 2010 Series bonds bear interest at rates ranging from 2.70% to 3.70% payable semi-annually.

The 2010 Series bonds maturing in the years 2021 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2020.

**Capital Lease**

On June 28, 2013, the University entered into a capital lease agreement to fund equipment purchases relating to a campus-wide energy efficiency project. The lease has an original amount of \$10,000,000 with a net interest cost of 2.236%. The lease term is 15 years, with annual principal payments of \$793,418 due each year on June 28. Prior to the end of the term, the University may terminate the lease at any time by making a payment equal to 103% of the then-outstanding principal balance.

Under the provisions of the lease, \$10,000,000 was placed into an escrow account held by the lessor. Cash in the escrow fund may be used only for expenditures relating to the energy efficiency project. Restricted cash of \$287,024 is included in restricted cash and cash equivalents on the statement of net position on June 30, 2015. Under the terms of the lease, this restricted cash was applied to the principal amount due on June 28, 2016. There was no related restricted cash at June 30, 2016.

Equipment capitalized under this lease agreement totaled \$12,661,501 and \$10,019,295, at June 30, 2016 and 2015, respectively. The related accumulated depreciation totaled \$1,205,155 and \$518,351 at June 30, 2016 and 2015, respectively,

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements *(Continued)*

#### **Loans**

##### State Educational Institution Long-Term Infrastructure Maintenance Program

In fiscal year 2010, the University received \$3.4 million under this program. Bond proceeds were allocated to participating institutions through the Kansas Board of Regents (KBOR) in the form of interest-free loans from the state to finance approved infrastructure improvement projects. Principal and interest on the bonds is paid from the state's general fund; participating institutions reimburse the state for the principal payments each year. The University is required to pay \$425,625 per year for eight years under the terms of the loan; the initial annual payment was made in October 2009. The final payment was made on December 1, 2015. The balance of the loan was \$425,625 on June 30, 2015.

##### Digital Television Equipment

During fiscal year 2009, the University received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009. The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The interest rate at June 30, 2016 and 2015 was 0.69% and 0.25%, respectively, and will reset on February 1, 2017. The balance of the loan was \$136,904 and \$182,539 on June 30, 2016 and 2015, respectively.

##### Other Equipment

During fiscal year 2012, Washburn Tech financed the purchase of equipment through a bank loan in the amount of \$64,149. The loan matures on February 17, 2017 and carries a fixed annual interest rate of 3.55%. Annual principal and interest payments are due on February 1, beginning in 2012. The loan is collateralized with a security interest in the purchased equipment. The balance of the loan was \$12,367 and \$24,308 on June 30, 2016 and 2015, respectively.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

The annual requirements to repay all bonds, capital leases and loans outstanding at June 30, 2016, including interest payments, are as follows:

<b>For The Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 3,104,850	\$ 1,671,189	\$ 4,776,039
2018	3,236,193	1,595,840	4,832,033
2019	3,410,212	1,512,088	4,922,300
2020	2,978,912	1,409,974	4,388,886
2021	3,138,572	1,319,493	4,458,065
2022-2026	12,864,604	5,200,077	18,064,681
2027-2031	9,254,640	3,427,870	12,682,510
2032-2036	6,745,000	2,053,916	8,798,916
2037-2041	6,195,000	762,800	6,957,800
	<b>\$ 50,927,983</b>	<b>\$ 18,953,247</b>	<b>\$ 69,881,230</b>

## 8. Pension Plan

The University provides retirement benefits for substantially all employees through individual annuities with TIAA-CREF (the Plan). Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employee. The University contributes 10% of an employee's salary once the employee has one year of service at the University or any other institution that previously offered a TIAA-CREF plan. The employee's contribution into the Plan is at the discretion of the employee. Certain employees are required to contribute a fixed percentage to the Plan; the percentage is dependent on the employee's annual salary. The Plan cost to the University for the years ended June 30, 2016 and 2015 was approximately \$4,338,000 and \$4,364,000 (net of participant forfeitures of \$179,000 and \$31,000), respectively.

## 9. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses, natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

#### Self-Insurance Fund

The University has established a self-insurance fund for health insurance. The health insurance program began in October 2002 for all University employees. The health insurance fund is funded with contributions made during each payroll period from the University, its employees and retirees. The rates are based on past historical costs for individual and family coverage and expected future claims. The plan is administered by a third party, which accumulates claims. During 2016 and 2015, the maximum amount the University was responsible for was a \$100,000 stop loss limit per individual. Any expenses incurred above the maximum were reimbursed by the insurance company. The claims liability reported at June 30, 2016 and 2015 is based on the requirements of GASB Statement No 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The changes in health care claims payable for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Claims payable - beginning of year	\$ 692,319	\$ 511,523
Incurred claims	7,327,425	6,724,837
Claim payments	<u>(7,454,230)</u>	<u>(6,544,041)</u>
Claims payable - end of year	<u>\$ 565,514</u>	<u>\$ 692,319</u>

Claims payable is included in accounts payable and accrued liabilities on the statements of net position.

#### 10. Litigation

The University is a party to litigation matters and claims which are normal in the course of its operations. While the results of litigation and claims cannot be predicted with certainty, based on advice of counsel and considering insurance coverage, management believes the final outcome of such matters will not have a material adverse effect on the University's financial position.



# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### 11. Condensed Combining Statements

Condensed combining statements for the University and its blended component unit, Washburn Tech, are presented on the following pages for the years ended June 30, 2016 and 2015.

#### Condensed Combining Statements Of Net Position June 30, 2016

	University	Washburn Tech	Eliminations	Combined
<b>Assets</b>				
Current assets	\$ 30,374,820	\$ 2,123,827	\$ —	\$ 32,498,647
Noncurrent assets	205,430,339	10,115,772	—	215,546,111
<b>Total Assets</b>	<b>235,805,159</b>	<b>12,239,599</b>	<b>—</b>	<b>248,044,758</b>
<b>Deferred Outflows Of Resources</b>	<b>519,437</b>	<b>—</b>	<b>—</b>	<b>519,437</b>
<b>Liabilities</b>				
Current liabilities	18,088,305	621,796	—	18,710,101
Noncurrent liabilities	48,975,392	172,622	—	49,148,014
<b>Total Liabilities</b>	<b>67,063,697</b>	<b>794,418</b>	<b>—</b>	<b>67,858,115</b>
<b>Net Position</b>				
Net investment in capital assets	80,361,442	9,273,852	—	89,635,294
Restricted - nonexpendable	27,857,558	—	—	27,857,558
Restricted - expendable	45,242,838	305,136	—	45,547,974
Unrestricted	15,799,061	1,866,193	—	17,665,254
<b>Total Net Position</b>	<b>\$ 169,260,899</b>	<b>\$ 11,445,181</b>	<b>\$ —</b>	<b>\$ 180,706,080</b>

#### Condensed Combining Statements Of Net Position June 30, 2015

	University	Washburn Tech	Eliminations	Combined
<b>Assets</b>				
Current assets	\$ 34,406,825	\$ 3,725,310	\$ —	\$ 38,132,135
Noncurrent assets	201,129,397	8,391,262	—	209,520,659
<b>Total Assets</b>	<b>235,536,222</b>	<b>12,116,572</b>	<b>—</b>	<b>247,652,794</b>
<b>Deferred Outflows Of Resources</b>	<b>602,938</b>	<b>—</b>	<b>—</b>	<b>602,938</b>
<b>Liabilities</b>				
Current liabilities	14,447,592	559,267	—	15,006,859
Noncurrent liabilities	52,131,843	309,246	—	52,441,089
<b>Total Liabilities</b>	<b>66,579,435</b>	<b>868,513</b>	<b>—</b>	<b>67,447,948</b>
<b>Net Position</b>				
Net investment in capital assets	73,131,518	8,552,918	—	81,684,436
Restricted - nonexpendable	31,109,667	—	—	31,109,667
Restricted - expendable	42,798,655	740,054	—	43,538,709
Unrestricted	22,519,885	1,955,087	—	24,474,972
<b>Total Net Position</b>	<b>\$ 169,559,725</b>	<b>\$ 11,248,059</b>	<b>\$ —</b>	<b>\$ 180,807,784</b>

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Revenues, Expenses And Changes In Net Position For The Year Ended June 30, 2016

	University	Washburn Tech	Eliminations	Combined
<b>Operating Revenues</b>				
Tuition and fees	\$ 29,544,875	\$ 1,948,017	\$ —	\$ 31,492,892
Auxiliary enterprises	6,605,385	—	—	6,605,385
Other operating revenues	1,822,385	184,776	(9,759)	1,997,402
<b>Total Operating Revenues</b>	<b>37,972,645</b>	<b>2,132,793</b>	<b>(9,759)</b>	<b>40,095,679</b>
<b>Operating Expenses</b>				
Education and general	74,527,775	11,713,918	(854,504)	85,387,189
Depreciation	9,019,166	1,310,709	—	10,329,875
Financial aid	1,502,715	541,431	—	2,044,146
Auxiliary enterprises	4,896,875	—	—	4,896,875
Self-insurance claims, net of premiums	6,481,669	—	844,745	7,326,414
<b>Total Operating Expenses</b>	<b>96,428,200</b>	<b>13,566,058</b>	<b>(9,759)</b>	<b>109,984,499</b>
<b>Operating Loss</b>	<b>(58,455,555)</b>	<b>(11,433,265)</b>	<b>—</b>	<b>(69,888,820)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State and local appropriations	37,099,156	6,248,963	—	43,348,119
Grants and contracts	13,650,783	4,632,320	—	18,283,103
Gifts	3,663,069	125,064	—	3,788,133
Investment income	8,184,296	39,949	—	8,224,245
Interest on indebtedness	(1,198,586)	(4,477)	—	(1,203,063)
Other nonoperating expenses	(3,699,734)	541,568	—	(3,158,166)
<b>Total Nonoperating Revenues</b>	<b>57,698,984</b>	<b>11,583,387</b>	<b>—</b>	<b>69,282,371</b>
<b>Other Revenues</b>				
Capital grants and gifts	269,000	47,000	—	316,000
Additions to permanent endowments	188,745	—	—	188,745
<b>Total Other Revenues</b>	<b>457,745</b>	<b>47,000</b>	<b>—</b>	<b>504,745</b>
<b>Change In Net Position</b>	<b>(298,826)</b>	<b>197,122</b>	<b>—</b>	<b>(101,704)</b>
<b>Net Position - Beginning Of Year</b>	<b>169,559,725</b>	<b>11,248,059</b>	<b>—</b>	<b>180,807,784</b>
<b>Net Position - End Of Year</b>	<b>\$ 169,260,899</b>	<b>\$ 11,445,181</b>	<b>\$ —</b>	<b>\$180,706,080</b>

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Revenues, Expenses And Changes In Net Position For The Year Ended June 30, 2015

	University	Washburn Tech	Eliminations	Combined
<b>Operating Revenues</b>				
Tuition and fees	\$ 29,933,304	\$ 1,348,538	\$ (125)	\$ 31,281,717
Auxiliary enterprises	6,325,214	—	(568)	6,324,646
Other operating revenues	2,059,769	166,368	(14,723)	2,211,414
<b>Total Operating Revenues</b>	<b>38,318,287</b>	<b>1,514,906</b>	<b>(15,416)</b>	<b>39,817,777</b>
<b>Operating Expenses</b>				
Education and general	72,435,908	10,067,241	(735,568)	81,767,581
Depreciation	7,163,529	1,214,297	—	8,377,826
Financial aid	1,641,406	485,967	—	2,127,373
Auxiliary enterprises	4,707,788	—	—	4,707,788
Self-insurance claims, net of premiums	5,899,846	—	723,070	6,622,916
<b>Total Operating Expenses</b>	<b>91,848,477</b>	<b>11,767,505</b>	<b>(12,498)</b>	<b>103,603,484</b>
<b>Operating Loss</b>	<b>(53,530,190)</b>	<b>(10,252,599)</b>	<b>(2,918)</b>	<b>(63,785,707)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State and local appropriations	35,486,693	6,382,381	—	41,869,074
Grants and contracts	14,443,755	3,856,515	—	18,300,270
Gifts	7,131,172	307,717	—	7,438,889
Investment income	3,331,296	20,573	—	3,351,869
Interest on indebtedness	(291,385)	(2,723)	—	(294,108)
Other nonoperating expenses	(1,124,624)	44,715	2,918	(1,076,991)
<b>Total Nonoperating Revenues</b>	<b>58,976,907</b>	<b>10,609,178</b>	<b>2,918</b>	<b>69,589,003</b>
<b>Other Revenues</b>				
Capital grants and gifts	103,286	328,113	—	431,399
Additions to permanent endowments	149,397	—	—	149,397
<b>Total Other Revenues</b>	<b>252,683</b>	<b>328,113</b>	<b>—</b>	<b>580,796</b>
<b>Change In Net Position</b>	<b>5,699,400</b>	<b>684,692</b>	<b>—</b>	<b>6,384,092</b>
<b>Net Position - Beginning Of Year</b>	<b>163,860,325</b>	<b>10,563,367</b>	<b>—</b>	<b>174,423,692</b>
<b>Net Position - End Of Year</b>	<b>\$ 169,559,725</b>	<b>\$ 11,248,059</b>	<b>\$ —</b>	<b>\$180,807,784</b>

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Cash Flows For The Year Ended June 30, 2016

	University	Washburn Tech	Eliminations	Combined
<b>Net Cash Provided (Used) By:</b>				
Operating Activities	\$ (45,934,514)	\$ (10,306,122)	\$ —	\$ (56,240,636)
Investing Activities	3,303,875	39,949	—	3,343,824
Noncapital Financing Activities	49,735,777	11,547,913	—	61,283,690
Capital and Related Financing Activities	(35,865,842)	(2,915,529)	—	(38,781,371)
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	(28,760,704)	(1,633,789)	—	(30,394,493)
<b>Cash And Cash Equivalents - Beginning Of Year</b>	54,501,659	3,247,685	—	57,749,344
<b>Cash And Cash Equivalents - End Of Year</b>	\$ 25,740,955	\$ 1,613,896	\$ —	\$ 27,354,851

### Condensed Combining Statements Of Cash Flows For The Year Ended June 30, 2015

	University	Washburn Tech	Eliminations	Combined
<b>Net Cash Provided (Used) By:</b>				
Operating Activities	\$ (47,170,336)	\$ (8,947,485)	\$ —	\$ (56,117,821)
Investing Activities	4,471,900	(18,548)	—	4,453,352
Noncapital Financing Activities	55,095,359	10,307,441	—	65,402,800
Capital and Related Financing Activities	6,881,646	(1,084,776)	—	5,796,870
<b>Increase In Cash And Cash Equivalents</b>	19,278,569	256,632	—	19,535,201
<b>Cash And Cash Equivalents - Beginning Of Year</b>	35,223,090	2,991,053	—	38,214,143
<b>Cash And Cash Equivalents - End Of Year</b>	\$ 54,501,659	\$ 3,247,685	\$ —	\$ 57,749,344

## 12. Washburn University Foundation - Accounting Policies And Disclosures

### Basis Of Presentation

The Foundation uses the accrual method of accounting. The Foundation's financial statements present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

**Fair Value Measurement**

Assets recorded at fair value on the statement of financial position are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs are other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs are unobservable and significant to the asset, and include situations where there is little, if any, market activity.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management’s perceived risk of that fund.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

#### Investments

Investments are presented in the financial statements at fair market value except for private placements, which are presented at cost. The Foundation has a policy for pooling assets for investment purposes, unless donor restrictions prohibit such pooling. Income received from pooled assets of the Foundation's endowment fund is allocated to various funds calculated on the market value of the entire pool. A portion of the investment return is allocated to the funds in accordance with the Foundation's spending policy.

Investment securities are exposed to various risks such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

#### Pledges Receivable

Pledges receivable include the following unconditional promises to give at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 36,105	\$ 37,059
Temporarily restricted	15,647,574	12,320,988
Permanently restricted	2,175,484	2,091,762
Agency	82,552	107,333
	<hr/>	<hr/>
Pledges receivable - end of year	\$ 17,941,715	\$ 14,557,142

The Foundation estimates the above pledges receivable will be collected as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 4,157,590	\$ 2,074,885
Receivable in one to five years	5,199,488	5,210,510
Thereafter	8,584,637	7,271,747
	<hr/>	<hr/>
	17,941,715	14,557,142
Less: allowance for uncollectible pledges	207,682	194,802
Less: unamortized discount	3,414,947	3,652,047
	<hr/>	<hr/>
Pledges receivable - end of year	\$ 14,319,086	\$ 10,710,293

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

The Foundation considers pledges receivable to be classified as Level 3 within the fair value hierarchy. The following table provides a summary of changes in the fair value of the Foundation's pledges receivable:

	<u>2016</u>	<u>2015</u>
Pledges receivable, beginning	\$ 10,710,293	\$ 9,104,870
New pledges	7,847,076	6,037,691
Pledge payments	(4,358,096)	(4,409,642)
Pledges written off	(61,698)	(65,817)
Reclassifications and change in value	181,511	43,191
	<hr/>	<hr/>
Pledges receivable, ending	\$ 14,319,086	\$ 10,710,293

### Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. As of June 30, 2016, total investments were \$152,003,002, of which \$129,920,974 were carried at fair value and \$22,082,028 were carried at cost. As of June 30, 2015, total investments were \$159,469,983, of which \$137,714,919 were carried at fair value and \$21,755,064 were carried at cost.

	<u>2016</u>	<u>2015</u>
Investments carried at fair value:		
U.S. equity	\$ 33,425,863	\$ 36,124,997
International equity	22,966,964	26,843,798
Alternatives	24,920,620	26,394,935
Real assets	15,872,237	16,663,161
Fixed income	31,152,632	30,124,588
Life insurance policies	1,214,877	1,164,018
Other	367,781	399,422
	<hr/>	<hr/>
Total	\$ 129,920,974	\$ 137,714,919

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

The following is a summary of investments carried at fair value by fair value hierarchy level. Level 3 inputs include hedge funds and other investments.

	2016			Total
	Level 1	Level 2	Level 3	
Investments	\$ 115,085,685	\$ 5,051,519	\$ 9,783,770	\$ 129,920,974

	2015			Total
	Level 1	Level 2	Level 3	
Investments	\$ 122,386,169	\$ 4,853,530	\$ 10,475,220	\$ 137,714,919

The following table provides a summary of changes in the fair value of the Foundation's Level 3 investments:

	2016	2015
Beginning fair value	\$ 10,475,220	\$ 10,044,504
Net realized loss	—	(7,479)
Additions and sales, net	(31,150)	(137,800)
Net change in unrealized (depreciation) appreciation	(660,300)	575,995
Ending fair value	\$ 9,783,770	\$ 10,475,220

Gains and losses (realized and unrealized) are included in investment income in the statement of activities.

	2016	2015
Investments carried at cost:		
Private equity investments	\$ 21,394,516	\$ 20,938,433
Private real estate investments	687,512	816,631
	\$ 22,082,028	\$ 21,755,064



## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies and their estimated fair values have been adversely affected by the economic downturn. Management has evaluated the near-term prospects of the investees and the Foundation's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value. As a result of this evaluation, the Foundation determined that the value of two of the private real estate investments was permanently impaired and, accordingly, wrote down these investments in the amount of \$1,518,375 during 2013. Subsequent to the write-down, the Foundation has received distributions in excess of the book value; thus, the balance of these investments is zero at June 30, 2016 and the Foundation recognized approximately \$46,000 and \$330,000 in investment income during 2016 and 2015 related to these investments. The Foundation does not consider the remaining investments to be permanently impaired at June 30, 2016.

The following shows the gross unrealized losses and fair value of the Foundation's private placement investments with unrealized losses that are not deemed to be permanently impaired, aggregated by investment category and length of time that individual investments have been in a continuous unrealized loss position at June 30, 2015:

	1 - 8 Years	
	Fair Value	Unrealized Losses
Private equity - Buyout	\$ 2,334,743	\$ (1,553,511)
Private equity - Venture capital	1,800,606	(364,358)
Private equity - Secondary	742,688	(549,809)
Private debt	1,388,828	(438,769)
Private natural resources	4,114,231	(829,824)

The Foundation has committed a total of \$41,500,000 to the private placement investment funds above. Unfunded commitments were approximately \$4,700,000 at June 30, 2016.

Amounts included in net investment income for the years ended June 30, 2016 and 2015 were:

	2016	2015
Dividends and interest	\$ 5,644,851	\$ 6,509,624
Net realized (loss) gain	(1,303,976)	4,032,775
Change in net unrealized gain	(6,538,057)	(10,075,719)
Investment expense	(181,358)	(232,097)
	<u>\$ (2,378,540)</u>	<u>\$ 234,583</u>

## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

#### Beneficial Interests In Trusts

The following is a summary of beneficial interests in trusts. The Foundation considers all of these trusts to be classified as Level 3 within the fair value hierarchy.

	<u>2016</u>	<u>2015</u>
Perpetual trusts	\$ 4,837,328	\$ 5,127,668
Charitable remainder trusts	906,171	895,802
Charitable lead trust	2,461,834	2,720,964
	<u>\$ 8,205,333</u>	<u>\$ 8,744,434</u>

The following table provides a summary of changes in the fair value of the Foundation's beneficial interest in trusts:

	<u>2016</u>	<u>2015</u>
Beginning fair value	\$ 8,744,434	\$ 9,327,785
Distributions to Foundation	(599,349)	(597,196)
Change in value in beneficial interest	60,248	13,845
Ending fair value	<u>\$ 8,205,333</u>	<u>\$ 8,744,434</u>

#### Net Assets And Agency Funds

Net assets and agency funds by purpose at June 30 are as follows:

	<u>2016</u>					
	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Foundation Total Net Assets</u>	<u>Agency Funds</u>	<u>Total</u>
Scholarship	\$ 44,145,230	\$ 17,094,465	\$ —	\$ 61,239,695	\$ 24,831,426	\$ 86,071,121
Student support	780,834	442,291	—	1,223,125	77,125	1,300,250
Program support	9,325,688	11,811,820	—	21,137,508	3,135,059	24,272,567
Faculty support	3,705,021	1,725,717	—	5,430,738	216,358	5,647,096
Professorship/chairs	8,357,862	2,798,780	—	11,156,642	4,248,484	15,405,126
Capital	1,513,951	18,336,244	—	19,850,195	112,811	19,963,006
Area of greatest need	4,954,658	9,358,142	4,395,726	18,708,526	4,901,866	23,610,392
	<u>\$ 72,783,244</u>	<u>\$ 61,567,459</u>	<u>\$ 4,395,726</u>	<u>\$ 138,746,429</u>	<u>\$ 37,523,129</u>	<u>\$ 176,269,558</u>

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

	2015					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 42,091,780	\$ 19,801,715	\$ —	\$ 61,893,495	\$ 27,471,840	\$ 89,365,335
Student support	712,692	434,407	—	1,147,099	80,440	1,227,539
Program support	9,257,194	11,810,162	—	21,067,356	3,374,595	24,441,951
Faculty support	3,691,439	2,006,368	—	5,697,807	236,696	5,934,503
Professorship/chairs	7,984,900	3,179,254	—	11,164,154	4,629,379	15,793,533
Capital	1,506,445	12,245,337	—	13,751,782	114,433	13,866,215
Area of greatest need	5,036,608	8,924,066	9,901,670	23,862,344	5,858,954	29,721,298
	\$ 70,281,058	\$ 58,401,309	\$ 9,901,670	\$ 138,584,037	\$ 41,766,337	\$ 180,350,374

### Endowment Funds

The Foundation's endowment consists of approximately 680 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds that the Foundation must hold in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Kansas has enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority for the management of endowment funds.

The Board of Directors of the Foundation 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) 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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;

## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and,
- (7) The investment policies of the Foundation.

Endowment net asset composition by type of fund:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (7,573,230)	\$ 19,267,899	\$ 63,718,712	\$ 75,413,381

Changes in endowment net assets for the year ended June 30, 2016:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (4,239,012)	\$ 23,207,629	\$ 60,745,672	\$ 79,714,289
Investment return:				
Investment income	50,135	3,776,307	173,294	3,999,736
Net depreciation	(3,370,709)	(2,334,250)	—	(5,704,959)
Total investment return	(3,320,574)	1,442,057	173,294	(1,705,223)
Contributions	—	—	2,799,746	2,799,746
Appropriation of endowment assets for expenditure	(450,289)	(4,945,142)	—	(5,395,431)
Other changes:				
Release from time restriction	436,645	(436,645)	—	—
Endowment net assets, end of year	\$ (7,573,230)	\$ 19,267,899	\$ 63,718,712	\$ 75,413,381

**WASHBURN UNIVERSITY OF TOPEKA**Notes to Financial Statements *(Continued)*

Endowment net asset composition by type of fund:

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ (4,239,012)	\$ 23,207,629	\$ 60,745,672	\$ 79,714,289

Changes in endowment net assets for the year ended June 30, 2015:

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ (2,312,890)	\$ 26,104,657	\$ 56,810,057	\$ 80,601,824
Investment return:				
Investment income	51,229	4,441,830	164,272	4,657,331
Net appreciation	(2,015,106)	(2,369,699)	—	(4,384,805)
Total investment return	(1,963,877)	2,072,131	164,272	272,526
Contributions	—	—	3,771,343	3,771,343
Appropriation of endowment assets for expenditure	(412,199)	(4,519,205)	—	(4,931,404)
Other changes:				
Release from time restriction	449,954	(449,954)	—	—
Endowment net assets, end of year	\$ (4,239,012)	\$ 23,207,629	\$ 60,745,672	\$ 79,714,289

A reconciliation of endowment net assets to permanently restricted net assets is as follows:

	<b>2016</b>	<b>2015</b>
Permanently restricted endowment net assets	<b>\$ 63,718,712</b>	\$ 60,745,672
Permanently restricted pledges receivable	<b>1,733,324</b>	1,654,709
Permanently restricted beneficial interests in trusts	<b>7,331,208</b>	7,880,677
	<b>\$ 72,783,244</b>	\$ 70,281,058

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements *(Continued)*

#### **Related Party**

The Foundation and the University have a management agreement designating the Foundation as the fundraising organization that solicits, receives, manages and disburses charitable contributions on behalf of the University. Distribution of amounts held in the funds of the Foundation is subject to the approval of the Foundation and the availability of monies and are in accordance with the terms of the donor-gifting agreement. Accordingly, the accompanying financial statements generally reflect expenditures for which appropriate documentation has been submitted to and approved by the Foundation as of the financial reporting date.

The Foundation holds and manages certain assets of the University and Law School Foundation under the terms of separate management agreements. Combined agency transactions were as follows:

	<u>2016</u>	<u>2015</u>
Fair market value of agency accounts - beginning of year	\$ 41,766,337	\$ 45,081,964
Contributions	350,166	401,391
Non-gift income and transfers	39,247	26,043
Net investment (loss) income	(940,840)	246,928
Distributions	(2,470,143)	(2,765,759)
Expense allocation for administration	(1,221,638)	(1,224,230)
Fair market value of agency accounts - end of year	<u>\$ 37,523,129</u>	<u>\$ 41,766,337</u>

### **13. Washburn Law School Foundation - Accounting Policies And Disclosures**

#### **Basis Of Presentation**

The Law Foundation uses the accrual method of accounting. The Law Foundation's financial statements present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements *(Continued)*

#### **Investments Held At Washburn University Foundation**

The Law Foundation has an agreement with Washburn University Foundation (the Foundation) whereby the Foundation provides administration and investment services to the Law Foundation. Investments held at the Foundation consist of investments and earnings held at the Foundation for the benefit of the Law Foundation. These amounts are pooled with other funds held by the Foundation for investment purposes.

Amounts included in return on investments for the years ended June 30, 2016 and 2015 were:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 388,006	\$ 497,478
Realized (loss) gain	(98,261)	299,579
Unrealized loss	(490,705)	(772,548)
	<u>\$ (200,960)</u>	<u>\$ 24,509</u>

#### **Net Assets**

The Law Foundation's temporarily restricted net assets are restricted to expenditures related to scholarships and support of the Law School. Accordingly, net assets were released from restrictions during the year by incurring expenses satisfying scholarship and Law School support.

Permanently restricted net assets consist of endowment funds.

# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Page 1 Of 5

For The Year Ended June 30, 2016

<b>Cluster/Program</b>	<b>Federal Agency/ Pass-Through Entity</b>	<b>Grant Number</b>	<b>CFDA Number</b>	<b>Amount</b>
<b>Student Financial Aid Cluster</b>				
<b>Washburn University</b>				
Federal Direct Student Loans	U.S. Department of Education		84.268	\$ 32,400,406
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education		84.007	270,911
Federal Work-Study Program	U.S. Department of Education		84.033	295,508
Federal Perkins Loan Program	U.S. Department of Education		84.038	1,057,715
Federal Pell Grant Program	U.S. Department of Education		84.063	7,797,537
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education		84.379	27,028
<b>Washburn Institute Of Technology</b>				
Federal Direct Student Loans	U.S. Department of Education		84.268	2,340,881
Federal Work-Study Program	U.S. Department of Education		84.033	12,586
Federal Pell Grant Program	U.S. Department of Education		84.063	<u>1,648,635</u>
<b>Total Student Financial Aid Cluster</b>				<u>45,851,207</u>



# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 2 Of 5

For The Year Ended June 30, 2016

Cluster/Program	Federal Agency/ Pass-Through Entity	Grant Number	CFDA Number	Amount
<b>Research And Development Cluster</b>				
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services / University of Kansas Medical Center	2 P20 GM103418-14	93.859	\$ 93,751
Terrestrial Impact of Nearby Supernovae	NASA	NNX14AK22G	43.001	<u>118,172</u>
<b>Total Research And Development Cluster</b>				<u>211,923</u>
<b>Other</b>				
<b>Washburn University</b>				
Perkins IV Program Improvement	U.S. Department of Education/ Kansas Board of Regents	V048A140016	84.048	32,741
Trans-Atlantic Double Degree in Nursing	U.S. Department of Education	P116J090062	84.116J	
TRAC-7 DOLETA Grant	U.S. Department of Labor	TC225131160A20	17.282	471,756
KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	2,921,543
SAS KanTRAIN DOLETA Grant	U.S. Department of Labor	SBAHQ-15-B-0001/0001	17.282	56,886
Small Business Development Center	Small Business Administration/ Fort Hays State University	SBAHQ-15-B-0001/0001	59.037	101,991

# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 3 Of 5

For The Year Ended June 30, 2016

Cluster/Program	Federal Agency/ Pass-Through Entity	Grant Number	CFDA Number	Amount
AmeriCorps *VISTA Project Support	Corporation for National Service	08VSWKS003	94.013	\$ 15,868
AmeriCorps *VISTA Cost Share	Corporation for National Service	08VSWKS003	94.013	10,960
Advanced Education Nursing Traineeship (AENT)	U.S. Department of Health and Human Services - HRSA Department	2A10HP25112-03-00	93.358	246,982
Violence Against Women	U.S. Department of Justice	2015-WA-AX-0011	16.525	44,511
PROLoG - Promoting Rule of Law in Georgia	USAID passed-through the East-West Management Institute	AID-114-A-10-00004	98.001	53,591
<b>Washburn Institute Of Technology</b>				
Second Chance Grant	U.S. Department of Justice/ Kansas Department of Commerce	2014-RV-BX-0002	16.812	211,901
KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	1,318,265
TRAC-7 DOLETA Grant	U.S. Department of Labor	TC225131160A20	17.282	440,987
USD 501Adult Bridge Expanded	U.S. Department of Education / Kansas Board of Regents	V002A150016	84.002A	107,702
Perkins Leadership Fund	U.S. Department of Education / Kansas Board of Regents	V048A140016	84.048	800

# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 4 Of 5

For The Year Ended June 30, 2016

Cluster/Program	Federal Agency/ Pass-Through Entity	Grant Number	CFDA Number	Amount
Perkins IV Program Improvement and Perkins Reserve Fund	U.S. Department of Education/ Kansas Board of Regents	V048A140016	84.048	\$ 286,077
Improved Reentry Education (IRE)	U.S. Department of Education	V191D150012	84.191D	116,570
Perkins Leadership Outcome Metrics	U.S. Department of Education / Kansas Board of Regents	V048A140016-14A	84.048A	350
Perkins Reserve - Surgical Technology	U.S. Department of Education / Kansas Board of Regents	V048A140016 & V048A150016	84.048A	2,997
<b>Total Other</b>				<u>6,442,478</u>
<b>Total</b>				<u><u>\$ 52,505,608</u></u>

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)***

**Page 5 Of 5**

**For The Year Ended June 30, 2016**

Of the federal expenditures presented in this schedule, Washburn University of Topeka and Washburn Institute of Technology provided federal awards to subrecipients as follows:

<b>Program</b>	<b>Subrecipient</b>	<b>Number</b>	<b>Amount</b>
Terrestrial Impact of Nearby Supernovae	University of Kansas	43.001	\$ 60,947
Terrestrial Impact of Nearby Supernovae	MidAmerica Nazarene University	43.001	2,786
KanTRAIN DOLETA Grant	Flint Hills Technical College	17.282	776,494
KanTRAIN DOLETA Grant	Garden City Community College	17.282	737,447
KanTRAIN DOLETA Grant	Wichita Area Technical College	17.282	778,907

# WASHBURN UNIVERSITY OF TOPEKA

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2016

1. This schedule includes the federal awards activity of Washburn University of Topeka and of Washburn Institute of Technology and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. The federal Perkins Loan Program listed in the schedule of expenditures of federal awards is administered directly by Washburn University of Topeka or Washburn Institute of Technology, and balances and transactions relating to these programs are included in the Washburn University of Topeka's basic financial statements (which include Washburn Institute of Technology as a blended component unit). Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding related to the Perkins Loan Program was \$969,886 for the year ended June 30, 2016.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program and, accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the University under this program at June 30, 2016.

3. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.



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**Independent Auditors' Report On Internal  
Control Over Financial Reporting  
And On Compliance And Other Matters  
Based On An Audit Of The Financial  
Statements Performed In Accordance  
With *Government Auditing Standards***

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 22, 2016.

Our report includes a reference to other auditors who audited the financial statements of Washburn University Foundation and Washburn Law School Foundation, discretely presented component units of the University, as described in our report on the University's financial statements. The financial statements of Washburn University Foundation and Washburn Law School Foundation were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Washburn University Foundation or Washburn Law School Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-002 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a significant deficiency.

## **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **University's Response To Findings**

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose Of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RubinBrown LLP*

December 22, 2016



**Independent Auditors' Report On  
Compliance For Each Major Federal  
Program And A Report On Internal  
Control Over Compliance Required by  
The Uniform Guidance**

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

**Report On Compliance For Each Major Federal Program**

We have audited Washburn University of Topeka's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2016. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

### ***Opinion On Each Major Federal Programs***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance finding identified in our audit is described in accompanying Schedule of Findings and Questioned Costs. The University's response is not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report On Internal Control Over Compliance***

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003 that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RubinBrown LLP*

December 22, 2016

# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For The Year Ended June 30, 2016

### Section I – Summary of Auditors’ Results

#### Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

Noncompliance considered material to the financial statements noted?  Yes  No

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

Type of auditor report issued on compliance for major federal programs: Unmodified

The audit disclosed findings required to be reported in accordance with 2 CFR200.516(a)?  Yes  No

Identification of major programs:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Direct Student Loans	84.268
Federal Supplemental Educational Opportunity Grant Program	84.007
FFEL – Lenders	84.032
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Teacher Education Assistance for College and Higher Education (TEACH)	84.379
Research and Development Cluster	
Kansas Biomedical Research Infrastructure Network Project	93.859
Terrestrial Impact of Nearby Supernovae	43.001

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee?  Yes  No

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2016

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### Section II - Financial Statement Findings

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#### **Finding 2016-001 – Significant Deficiency**

**Criteria:** Internal controls should be in place to provide reasonable assurance that adjustments made to close the University's general ledger are free from errors.

**Condition:** Two errors were noted by the auditors in year-end adjustments made to the University's general ledger. The first was an error in the calculation of the University's allowance for doubtful accounts which resulted in a \$118,925 overstatement of net accounts receivable. The second error was a \$575,035 understatement of accrued wages.

**Context:** The combination of errors noted, rather than the errors in isolation, merits attention.

**Effect:** The two errors resulted in an aggregate overstatement of the University's net position of \$693,960. These errors were corrected before the completion of our audit.

**Cause:** For certain year-end close procedures for which there is a high reliance on the Associate Vice President for Finance, a lack of secondary review creates an opportunity for errors to go undetected.

**Recommendation:** We recommend that all significant year-end close adjustments are reviewed by a competent member of management before being recorded in the general ledger.

#### **Management Response And Corrective Action Plan**

- **Observation.** The deficiency cited developed over time during a period of vacancies and staff turnover in the Finance Section. It resulted in the closing entries actually being made by the Associate Vice President for Finance (AVP), rather than being reviewed by the AVP.

#### **Process For Correction**

- **Inventory Of Period End Entries.** During the current fiscal year, a checklist of period-end closing entries will be compiled, updated, and promulgated among staff in the Finance Office and Business Office. This will result in broader knowledge of the entries which need to be made.

# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2016

- **Period End Entries.** During the upcoming fiscal year the actual closing entries will be prepared under the direction of the Senior Accountant, assisted by the accounting staff in the Finance Office.
- **Review.** The period end closing entries will be reviewed, rather than prepared by the AVP for Finance. The Vice President for Administration and Treasurer will be presented a formal opportunity for further review.

**Contact:** Associate Vice President for Finance

**Completion Date:** March 31, 2017.

### **Finding 2016-002 – Material Weakness**

**Criteria:** Internal control is designed, implemented, and maintained to address business risks that impact the reliability of the University's financial statements.

**Condition:** The University does not have resources in place to effectively operate and maintain internal controls that address the risks around financial reporting.

**Cause:** The Vice President for Administration and Treasurer and the Associate Vice President for Finance positions were vacated during the course of the audit and permanent replacements have not been identified through the date of the audit report.

**Context:** The Vice President for Administration and Treasurer and the Associate Vice President for Finance are critical positions to the financial reporting process due to the relationship of the positions to the overall accounting and reporting, the implementation of general monitoring controls, the selection and application of significant accounting policies, and controls over the period-end financial reporting process (such as controls over nonrecurring journal entries).

**Effect:** The University could report inaccurate financial information.

**Recommendation:** The University should permanently fill The Vice President for Administration and Treasurer and the Associate Vice President for Finance positions as soon acceptable candidates are identified.

# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2016

### Management Response And Corrective Action Plan

- **Permanent Replacement For Associate Vice President For Finance.** The process to find a permanent Associate Vice President for Finance is currently underway. Screening of applicants will commence in January 2017. Interviews of applicants will begin shortly thereafter. A decision to hire is anticipated in March 2017.
- **Permanent Replacement For Vice President Administration And Treasurer.** A nationwide search to find a permanent Vice President for Finance Administration and Treasurer began in September 2016. Applicants were interviewed but no offers were extended. A second nationwide search will commence in January 2017. A decision to hire is anticipated in May 2017.

**Contact:** Interim Vice President Administration and Treasurer

**Completion Date:** May 31, 2017

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### Section III - Federal Award Findings And Questioned Costs

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#### Finding 2016-003 – Significant Deficiency

**Federal Award No. 84.268, 84.007, 84.033, 84.038, 84.063, 84.379**  
**Student Financial Aid Cluster**  
**Department of Education**

**Criteria:** According to the Federal Student Aid Handbook, Volume 2, Chapter 6, a University must confirm that the student has completed face-to-face or online counseling, or that the student has been mailed exit loan counseling material within 30 days of learning that the student has withdrawn or failed to participate in an exit counseling session.

**Condition:** The University did not conduct exit interviews or provide loan counseling materials within the 30 day timeframe for three graduating students from a non-statistical sample of 40 withdrawing or graduating students tested.

**Effect:** Students may not be informed in a timely manner of their responsibilities for the repayment of loans.

**Questioned Costs:** None

## WASHBURN UNIVERSITY OF TOPEKA

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2016

**Cause:** Graduating students are identified through reports periodically generated from the financial aid system. There were individual instances where these reports were either not generated on a timely basis, or not generated at all.

**Recommendation:** We recommend that the University consider changes to its procedures and related internal controls over the monitoring of student enrollment status and loan counseling requirements.

#### **Corrective Action Plan**

- The population selection rules, which determine students that need to be sent exit counseling information, have been updated to correct an error which excluded a subset of students from being identified in the system selection process.
- To guarantee a manual exit counseling letter is sent if needed, the Registrar's Office will send communication to the Financial Aid Office should a degree be granted after a student has left the institution.
- The Financial Aid Office will continue to run the exit counseling process every 28 days to ensure completion within the 30 day compliance window. Reminders are set on the Financial Aid Office calendar and training has been performed to ensure a back-up staff member is able to run the process should the lead individual be unavailable to do so.
- System output information will continue to be saved on a network folder accessible to all members of the Financial Aid Office, as documentation that the processes have been run on a timely basis.

**Contact:** Washburn Financial Aid Office

**Completion Date:** July 1, 2016



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**WASHBURN UNIVERSITY OF TOPEKA**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Year Ended June 30, 2016**

<b>Finding No.</b>	<b>CFDA No.</b>	<b>Program</b>	<b>Condition</b>	<b>Current Year Status</b>
2015-001	84.268 84.007 84.033 84.038 84.063 84.379	Student Financial Aid Cluster	The University did not conduct exit interviews or provide loan counseling materials within the 30-day timeframe for five graduating students from a sample of 40 withdrawing or graduating students tested.	REPEATED AS 2016-003

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**WASHBURN UNIVERSITY OF TOPEKA**

**SCHEDULE 1 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET**

**General Fund**

**For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Tuition and fees	\$ 47,677,065	\$ 45,071,908	\$ (2,605,157)
Income from endowment fund	800,850	471,828	(329,022)
Sales tax and other taxes	18,351,713	18,351,713	—
State aid	11,900,683	11,900,920	237
Other income	3,244,556	3,767,031	522,475
Use of reserves	2,653,266	—	(2,653,266)
Transfer from smoothing fund	—	—	—
Auxiliary enterprises	7,420,360	6,797,480	(622,880)
<b>Total Revenues</b>	<u>92,048,493</u>	<u>86,360,880</u>	<u>(5,687,613)</u>
<b>Expenditures</b>			
Instruction	40,425,011	39,450,427	(974,584)
Public service, academic support and research	14,662,397	13,891,451	(770,946)
Student services	8,890,144	9,097,546	207,402
Institutional support	6,491,111	6,096,621	(394,490)
Maintenance of plant	7,908,132	7,028,833	(879,299)
Scholarships and fellowships	2,552,337	2,587,171	34,834
Other expenses and transfers	2,937,039	3,234,082	297,043
Contingency	4,000,000	—	(4,000,000)
Auxiliary enterprises	7,619,244	6,375,656	(1,243,588)
<b>Total Expenditures</b>	<u>95,485,415</u>	<u>87,761,787</u>	<u>\$ (7,723,628)</u>
<b>Decrease In Fund Balance</b>	<u>\$ (3,436,922)</u>	(1,400,907)	
<b>Fund Balance - Beginning Of Year</b>		<u>15,790,372</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 14,389,465</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 2 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Debt Retirement And Construction Fund  
For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem property and other taxes	\$ 3,728,506	\$ 3,528,949	\$ (199,557)
Investment income	—	62	62
Unexpended lease proceeds used to pay principal	—	288,066	288,066
Transfer from other funds	500,000	—	(500,000)
Transfer from other funds - debt service	2,956,218	2,669,152	(287,066)
<b>Total Revenues</b>	<u>7,184,724</u>	<u>6,486,229</u>	<u>(698,495)</u>
<b>Expenditures</b>			
Bond principal	1,950,000	1,950,000	—
Lease principal	593,443	593,443	—
Interest and commissions on bonds	879,262	1,741,460	(862,198)
Transfers for construction, repairs or equipping of new or existing buildings	3,354,500	3,092,982	261,518
State deferred maintenance loan repayment	425,625	425,625	—
Other	2,100	1,064	1,036
<b>Total Expenditures</b>	<u>7,204,930</u>	<u>7,804,574</u>	<u>\$ (599,644)</u>
<b>Increase (Decrease) In Fund Balance</b>	<u>\$ (20,206)</u>	(1,318,345)	
<b>Fund Balance - Beginning Of Year</b>		<u>685,972</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ (632,373)</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 3 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Employee Benefits Contribution Fund  
For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Taxes	\$ —	\$ —	\$ —
<b>Expenditures</b>			
Payment to the general fund	—	—	\$ —
<b>Increase In Fund Balance</b>	<u>\$ —</u>	—	
<b>Fund Balance - Beginning Of Year</b>		—	
<b>Fund Balance - End Of Year</b>		<u>\$ —</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 4 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Tort Claim Liability Fund  
For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad valorem property and other taxes	\$ 372,586	\$ 354,801	\$ (17,785)
Investment income	5,000	—	(5,000)
<b>Total Revenues</b>	<u>377,586</u>	<u>354,801</u>	<u>(22,785)</u>
<b>Expenditures</b>			
Insurance premium	330,000	276,205	53,795
Litigation expense	250,000	—	250,000
Miscellaneous expense	80,000	121,922	(41,922)
Contingency	350,000	—	350,000
<b>Total Expenditures</b>	<u>1,010,000</u>	<u>398,127</u>	<u>\$ 611,873</u>
<b>Increase (Decrease) In Fund Balance</b>	<u>\$ (632,414)</u>	(43,326)	
<b>Fund Balance - Beginning Of Year</b>		<u>1,306,970</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 1,263,644</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 5 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Sales Tax Smoothing Fund  
For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Sales tax and other taxes	<u>\$ 1,000,000</u>	<u>\$ 2,028,054</u>	<u>\$ 1,028,054</u>
<b>Expenditures</b>			
Transfer to building construction fund	1,300,000	—	1,300,000
Transfer to general fund	500,000	—	500,000
Transfer to capital improvement fund	500,000	—	500,000
Transfer to debt retirement & construction fund	500,000	—	500,000
Contingency	<u>1,300,000</u>	<u>—</u>	<u>1,300,000</u>
<b>Total Expenditures</b>	<u>4,100,000</u>	<u>—</u>	<u>\$ 4,100,000</u>
<b>Increase (Decrease) In Fund Balance</b>	<u>\$ (3,100,000)</u>	2,028,054	
<b>Fund Balance - Beginning Of Year</b>		<u>4,937,974</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 6,966,028</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 6 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Capital Improvement Fund  
For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ —
Interest income	—	—	—
Transfer from smoothing fund	500,000	—	(500,000)
Transfer from general fund	250,000	—	(250,000)
<b>Total Revenues</b>	<u>1,640,000</u>	<u>890,000</u>	<u>(750,000)</u>
<b>Expenditures</b>			
Capital expenses	250,000	—	250,000
Non-mandatory transfers	890,000	890,000	—
Contingency	500,000	—	500,000
<b>Total Expenditures</b>	<u>1,640,000</u>	<u>890,000</u>	<u>\$ 750,000</u>
<b>Decrease In Fund Balance</b>	<u>\$ —</u>	—	
<b>Fund Balance - Beginning Of Year</b>		<u>116,332</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 116,332</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 7 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET**

**Washburn Institute Of Technology  
For The Year Ended June 30, 2016**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Tuition and fees	\$ 2,935,527	\$ 3,211,997	\$ 276,470
Vocational state aid	6,262,976	6,085,065	(177,911)
Vocational capital outlay	149,483	163,898	14,415
Interest on investments	30,000	4,897	(25,103)
Other sales and services	150,000	276,423	126,423
Use of reserves	750,000	—	(750,000)
<b>Total Revenues</b>	<u>10,277,986</u>	<u>9,742,280</u>	<u>(535,706)</u>
<b>Expenditures</b>			
Instruction	5,609,711	5,798,760	(189,049)
Academic support	706,607	704,913	1,694
Student services	988,105	996,723	(8,618)
Institutional support	366,356	333,697	32,659
Maintenance of plant	1,358,179	1,344,006	14,173
Other expenses and transfers	1,549,028	669,974	879,054
Contingency	500,000	—	500,000
<b>Total Expenditures</b>	<u>11,077,986</u>	<u>9,848,073</u>	<u>\$ 1,229,913</u>
<b>Decrease In Fund Balance</b>	<u>\$ (800,000)</u>	(105,793)	
<b>Fund Balance - Beginning Of Year</b>		<u>2,095,767</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 1,989,974</u>	



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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES -**

**2010 BOND ISSUE**

**For The Year Ended June 30, 2016**

**And Since Project Inception**

	<b>For The Year Ended June 30, 2016</b>	<b>Project Inception To June 30, 2016</b>
<b>Revenues And Other Additions</b>		
Bond proceeds	\$ —	\$ 13,500,000
Transfer for debt service	271,310	1,606,425
Original issue premium on bonds	—	16,170
<b>Total Revenues And Other Additions</b>	<u>271,310</u>	<u>15,122,595</u>
<b>Expenditures And Other Deductions</b>		
Bond issuance costs	—	202,380
Bond insurance	—	95,210
Amount paid to refund Series 2001A, 2001B and 2003 bonds	—	13,210,000
Interest expense paid	271,310	1,606,425
<b>Total Expenditures And Other Deductions</b>	<u>271,310</u>	<u>15,114,015</u>
<b>Cash Receipts Over Expenditures</b>	—	<u>\$ 8,580</u>
<b>Cash And Investments - Beginning Of Year</b>	<u>8,580</u>	
<b>Cash And Investments - End Of Year</b>	<u>\$ 8,580</u>	

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 9 - CASH RECEIPTS AND EXPENDITURES -

### 2014 BOND ISSUE

For The Year Ended June 30, 2016

And Since Project Inception

	For The Year Ended June 30, 2016	Project Inception To June 30, 2016
<b>Revenues And Other Additions</b>		
Bond proceeds	\$ —	\$ 9,655,000
Transfers for debt service	253,331	524,814
Cash provided to refund Series 2004 Bonds	—	63,625
Transfer from Series 2004 Bonds	—	2,231
Original issue premium on bonds	—	342,800
<b>Total Revenues And Other Additions</b>	<u>253,331</u>	<u>10,588,470</u>
<b>Expenditures And Other Deductions</b>		
Bond issuance costs	—	122,668
Amount paid to refund Series 2004 bonds	—	9,935,000
Interest expense paid	253,331	524,814
<b>Total Expenditures And Other Deductions</b>	<u>253,331</u>	<u>10,582,482</u>
<b>Cash Receipts Over Expenditures</b>	—	<u>\$ 5,988</u>
<b>Cash And Investments - Beginning Of Year</b>	<u>5,988</u>	
<b>Cash And Investments - End Of Year</b>	<u>\$ 5,988</u>	

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 10 - CASH RECEIPTS AND EXPENDITURES -

### 2015 SERIES A BOND ISSUE For The Year Ended June 30, 2016 And Since Project Inception

	<b>For The Year Ended June 30, 2016</b>	<b>Project Inception To June 30, 2016</b>
<b>Revenues And Other Additions</b>		
Bond proceeds	\$ —	\$ 20,105,000
Transfers for debt service	865,811	865,811
Original issue premium on bonds	—	803,210
<b>Total Revenues And Other Additions</b>	<u>865,811</u>	<u>21,774,021</u>
<b>Expenditures And Other Deductions</b>		
Bond issuance costs	—	239,969
Transfer to project fund	—	19,800,000
Interest capitalized to bond principal	—	865,811
Interest expense paid	865,811	865,811
<b>Total Expenditures And Other Deductions</b>	<u>865,811</u>	<u>21,771,591</u>
<b>Cash Receipts Over Expenditures</b>	—	<u>\$ 2,430</u>
<b>Cash And Investments - Beginning Of Year</b>	<u>2,430</u>	
<b>Cash And Investments - End Of Year</b>	<u>\$ 2,430</u>	

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 11 - CASH RECEIPTS AND EXPENDITURES -**

**2015 SERIES B BOND ISSUE  
For The Year Ended June 30, 2016  
And Since Project Inception**

	<b>For The Year Ended June 30, 2016</b>	<b>Project Inception To June 30, 2016</b>
<b>Revenues And Other Additions</b>		
Bond proceeds	\$ —	\$ 7,070,000
Transfer for debt service	154,646	154,646
<b>Total Revenues And Other Additions</b>	<u>154,646</u>	<u>7,224,646</u>
<b>Expenditures And Other Deductions</b>		
Bond issuance costs	—	68,983
Transfer to project fund	—	7,000,000
Interest expense paid	154,646	154,646
<b>Total Expenditures And Other Deductions</b>	<u>154,646</u>	<u>7,223,629</u>
<b>Cash Receipts Over Expenditures</b>	—	<u><u>\$ 1,017</u></u>
<b>Cash And Investments - Beginning Of Year</b>	<u>1,017</u>	
<b>Cash And Investments - End Of Year</b>	<u><u>\$ 1,017</u></u>	

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 12 - OPERATIONS OF THE LIVING LEARNING CENTER For The Year Ended June 30, 2016

### Revenues

Room rental	\$ 1,537,684
Other rental income	11,171
Net income from room rental	<u>1,548,855</u>
Receipts from coin machines, forfeited initial pay, guests, etc.	<u>162,314</u>
<b>Total Revenues</b>	<u><u>1,711,169</u></u>

### Expenditures

Salaries, director and resident assistants	69,583
Salaries, custodial	156,703
Benefits	24,413
Scholarships	63,468
Insurance	22,826
Utilities, telephone and cable	290,982
Memberships	955
Building Space Rental	97,650
Architects and Engineers	2,412
Travel	603
Repairs and operating supplies	23,171
Contracted services	<u>13,433</u>
<b>Total Expenditures</b>	<u><u>766,199</u></u>

**Net Operating Income** 944,970

**Debt Service - Transfer To Debt Retirement And Construction Fund** (536,375)

**Excess Of Cash Receipts Over Expenditures** \$ 408,595