
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
WASHBURN UNIVERSITY OF TOPEKA
FINANCIAL STATEMENTS
JUNE 30, 2017

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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 KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka (KTWU) as of and for the years then ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the KTWU'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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTWU, as of June 30, 2017 and 2016, 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

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 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 KTWU's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RubinBrown LLP

February 7, 2018

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (MD&A) presents a discussion and analysis of the financial performance and activities of KTWU Television (KTWU or “the Station”) during the year ended June 30, 2017 and comparative data for the fiscal years ended June 30, 2016 and 2015. 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 Station’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 Station’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

KTWU is Kansas’ first non-commercial educational television station providing over 50 years of service to varying communities. The station’s viewing area serves 39 counties in northeast Kansas, reaching citizens from the Nebraska border and portions of Missouri. KTWU broadcasts three streams of television content 24 hours a day, providing a diversified service of digital programming for children, adult learners, educators and general audience viewing. KTWU serves over 170,000 households in the 135th designated market area according to Nielsen’s station index and is licensed under Washburn University of Topeka (Washburn or “the University”).

Using The Financial Statements

The Station’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*. In addition to the MD&A, this pronouncement requires 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.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

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 Station as a whole and present a long-term view of its finances. These statements present financial information in a form similar to that used by private corporations. In addition to the required information noted above, this report contains required supplementary information.

Financial Highlights Of The Fiscal Year Ended June 30, 2017

KTWU ended the year with total assets of \$4,534,657 and liabilities of \$224,544 compared to \$4,648,969 and \$297,631 respectively, at June 30, 2016. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$4,310,113 at June 30, 2017. This is a decrease of \$41,225 from last year's net position of \$4,351,338.

Operating revenues were \$348,591 and operating expenses were \$3,630,196, resulting in a loss from operations of \$3,281,605. GASB Statement No. 34 requires the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB) to be classified as nonoperating revenues. As a result, the Station reports a net operating loss. This net operating loss does not present a complete picture of the Station's operations.

Such a complete picture of operations requires consideration of nonoperating revenues. For the year ended June 30, 2017, nonoperating revenues were \$3,236,587, which, when combined with other revenue sources of \$3,793 and the loss from operations, resulted in an overall decrease of \$41,225 in net position, compared to a decrease of \$329,288 for the year ended June 30, 2016.

The Statement Of Net Position

The Statement of Net Position is the Station's balance sheet, presenting the financial position of KTWU at the end of the fiscal year. It includes all assets, liabilities, deferred outflows and inflows of resources, and net position of the Station. Net position is one indicator of the current financial condition of KTWU, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities 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 Station's assets, liabilities and net position as of June 30, 2017, 2016 and 2015 is presented below:

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Management's Discussion And Analysis (*Continued*)

Condensed Statements Of Net Position
As Of June 30, 2017, 2016 and 2015

	2017	2016	2015
Assets			
Current assets	\$ 423,958	\$ 393,684	\$ 223,491
Other assets	1,567,951	1,527,883	1,844,220
Capital assets, net	2,542,748	2,727,402	2,939,459
	<u>4,534,657</u>	<u>4,648,969</u>	<u>5,007,170</u>
Liabilities			
Current liabilities	178,909	206,362	189,640
Noncurrent liabilities	45,635	91,269	136,904
	<u>224,544</u>	<u>297,631</u>	<u>326,544</u>
Total Net Position	<u>4,310,113</u>	<u>4,351,338</u>	<u>4,680,626</u>
Net Position Consists Of			
Net investment in capital assets	2,451,479	2,590,498	2,756,920
Restricted - nonexpendable	748,141	708,178	799,975
Restricted - expendable	842,610	781,388	399,151
Unrestricted	267,883	271,274	724,580
Total Net Position	<u>\$ 4,310,113</u>	<u>\$ 4,351,338</u>	<u>\$ 4,680,626</u>

Assets

Significant assets consist of cash, receivables, restricted investments managed by Washburn University Foundation, equity in net assets of Washburn University Foundation and capital assets.

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$423,958, \$393,684, and \$223,491, respectively, at June 30, 2017, 2016 and 2015. Total current assets at June 30, 2017, 2016 and 2015 covered current liabilities 2.4, 1.9, 1.2 times, respectively, an indicator of good liquidity. Capital assets, which represented 56.1 percent, 58.7 percent and 58.7 percent of total assets at June 30, 2017, 2016 and 2015, respectively, represent the assets' historical cost net of accumulated depreciation.

Liabilities

Significant liabilities include accounts payable, accrued payroll, compensated absences and a loan from the State of Kansas used in prior years to purchase digital television transmission equipment.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

Net Position

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

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. This category of net position includes funds held for the purchase of digital television equipment, grants received and funds for special projects.

The final category is unrestricted net position. Unrestricted net position is available for use by KTWU for any legal purpose.

The 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 KTWU, both operating and non-operating, and any other revenues, expenses, gains and losses earned or incurred by the Station. 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 viewers and various constituencies of KTWU. 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 KTWU. Non-operating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and the CPB community service and interconnection grants are non-operating because they represent revenue provided to KTWU for which no goods or services are provided by KTWU to the state or to CPB.

The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund KTWU's operating activities for the years ended June 30, 2017, 2016 and 2015.

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Management's Discussion And Analysis (*Continued*)

Condensed Statement Of Revenues, Expenses And Changes In Net Position
For the Years Ended June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 348,591	\$ 344,705	\$ 330,217
Operating expenses	3,630,196	3,886,461	3,890,449
	<u>(3,281,605)</u>	<u>(3,541,756)</u>	<u>(3,560,232)</u>
Nonoperating revenues and expenses	3,236,587	3,210,608	3,487,344
Income (loss) before other revenues	(45,018)	(331,148)	(72,888)
Other revenues	3,793	1,860	10,201
Change in net position	(41,225)	(329,288)	(62,687)
Net position at beginning of year	4,351,338	4,680,626	4,743,313
Net position at end of year	<u>\$ 4,310,113</u>	<u>\$ 4,351,338</u>	<u>\$ 4,680,626</u>

Fiscal Year 2017 Compared To Fiscal Year 2016

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$41,225 during the year ended June 30, 2017 compared to a decrease in net position of \$329,288 during fiscal year 2016. Some highlights of the information in this statement follows.

Revenues

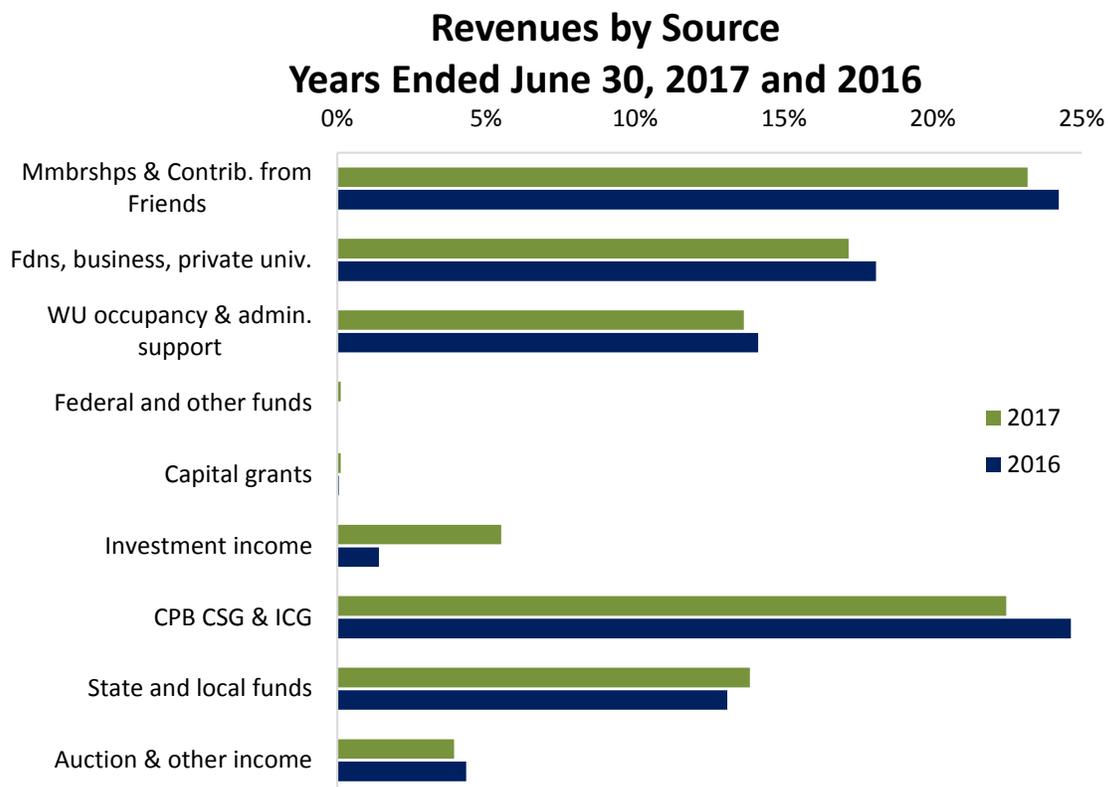
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund KTWU's operating activities for the years ended June 30, 2017 and 2016.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 45.7 percent of KTWU's revenue for the year ended June 30, 2017 compared to 48.9 percent for the year ended June 30, 2016. State and local funds accounted for 13.9 percent of revenue for the year ended June 30, 2017 compared to 13.1 percent for the year ended June 30, 2016.

KTWU continues its efforts to increase its revenue, along with pursuing cost containment initiatives. This is necessary as the public television funding at the Federal and State levels is being cut. Equipment originally purchased for the conversion to digital programming is aging and the cost of maintenance and replacement on the digital equipment is greater than that on analog equipment. Programming is another area where KTWU expects costs to increase mainly due to the fact that producing and purchasing digital programming is greater than that of analog programming.

Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2017 and 2016.

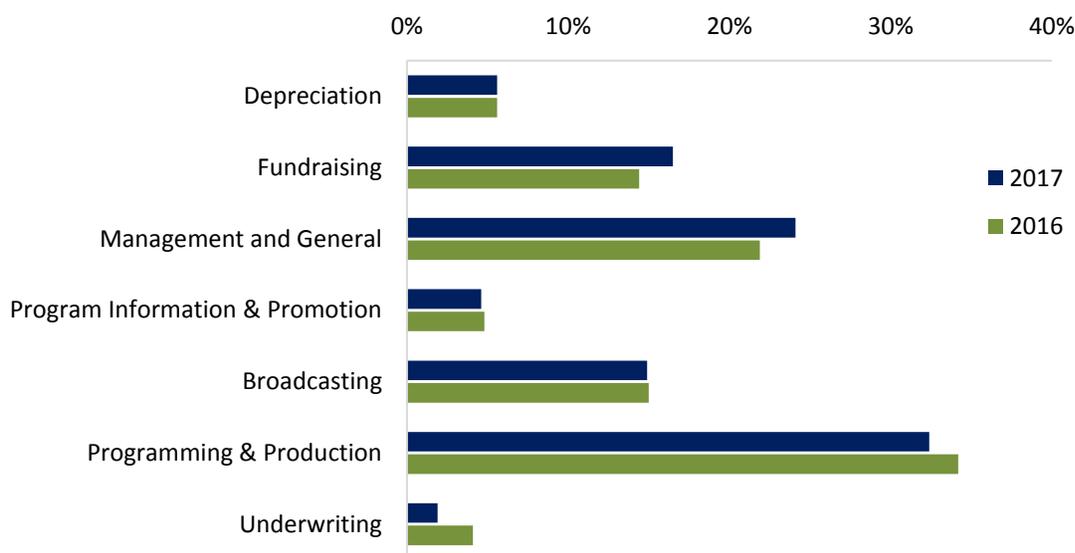
KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

KTWU Expense by Function Years Ended June 30, 2017 and 2016



Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 51.9 percent of KTWU's expenses for the year ended June 30, 2017 compared to 54.0 percent for the year ended June 30, 2016. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 48.1 percent of expenses for the year ended June 30, 2017 compared to 46.0 percent for the year ended June 30, 2016. KTWU's effort to control expenses is reflected in the overall reduction of total expenses for the year.

Fiscal Year 2016 Compared To Fiscal Year 2015

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$329,288 during the year ended June 30, 2016 compared to a decrease in net position of \$62,687 during fiscal year 2015. Some highlights of the information in this statement follows.

Revenues

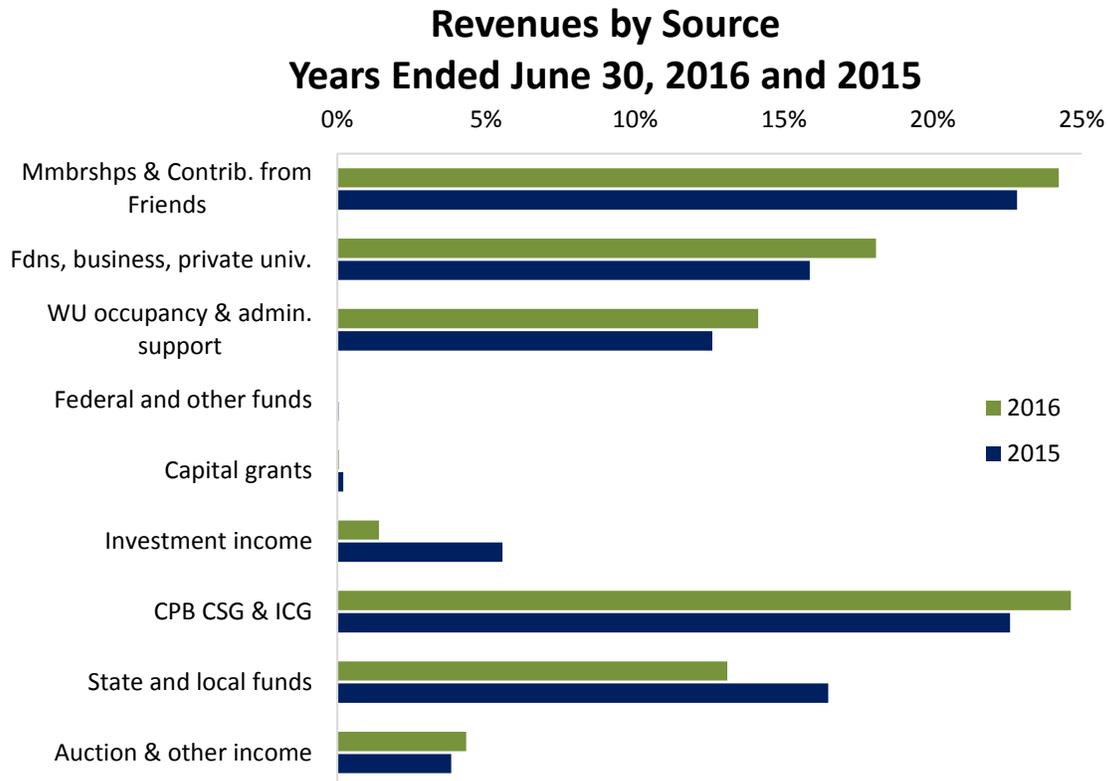
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund KTWU's operating activities for the years ended June 30, 2016 and 2015.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 48.8 percent of KTWU's revenue for the year ended June 30, 2016 compared to 45.4 percent for the year ended June 30, 2015. State and local funds accounted for 13.1 percent of revenue for the year ended June 30, 2016 compared to 16.5 percent for the year ended June 30, 2015.

Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2016 and 2015.

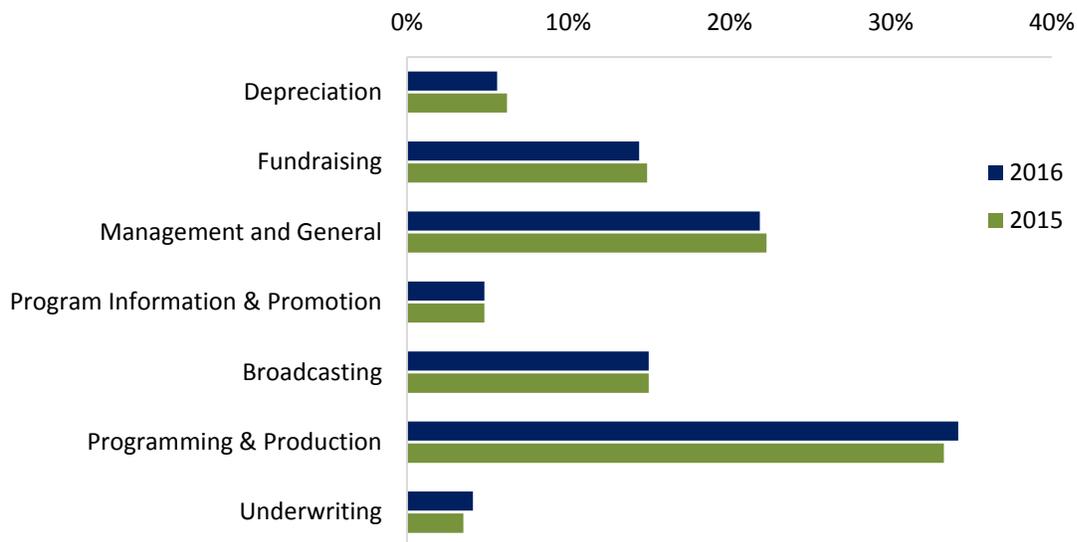
KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

KTWU Expense by Function Years Ended June 30, 2016 and 2015



Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 54.0 percent of KTWU's expenses for the year ended June 30, 2016 compared to 53.1 percent for the year ended June 30, 2015. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 46.0 percent of expenses for the year ended June 30, 2016 compared to 46.9 percent for the year ended June 30, 2015.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

The 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 KTWU's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external funding.

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 KTWU. The second section reflects cash flows from non-capital financing activities. 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 deals with the cash used in 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. 34 treats the majority of KTWU's revenue (including CPB grants, state and local funds and memberships) as nonoperating revenues, these cash flows are critical to funding the operations of KTWU.

Condensed Statement Of Cash Flows For the Years Ended June 30, 2017, 2016 and 2015

	2017	2016	2015
Cash provided by (used in):			
Operating activities	\$ (2,423,575)	\$ (2,988,608)	\$ (2,830,312)
Noncapital financing activities	2,548,497	2,657,928	2,479,221
Capital and related financing activities	(61,527)	(49,832)	(166,850)
Investing activities	146,453	346,135	281,112
Net change in cash	209,848	(34,377)	(236,829)
Cash - Beginning Of Year	129,527	163,904	400,733
Cash - End Of Year	\$ 339,375	\$ 129,527	\$ 163,904

Fiscal Year 2017 Compared To Fiscal Year 2016

Significant sources of cash were membership contributions, CPB Community Service and Interconnection grants and underwriting received from foundations, businesses and non-profit organizations. Significant uses of cash were payments to suppliers and payments to employees.

The cash position of KTWU increased by \$209,848 for the fiscal year ended June 30, 2017 compared to a decrease of \$34,377 for the fiscal year ended June 30, 2016.

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Management's Discussion And Analysis (*Continued*)

Fiscal Year 2016 Compared To Fiscal Year 2015

Significant sources of cash were membership contributions, CPB Community Service and Interconnection grants and underwriting received from foundations, businesses and non-profit organizations. Significant uses of cash were payments to suppliers and payments to employees.

The cash position of KTWU decreased by \$34,377 for the fiscal year ended June 30, 2016 compared to a decrease of \$236,829 for the fiscal year ended June 30, 2015

Capital Assets

KTWU had a decrease in capital assets during fiscal years 2017 and 2016. At June 30, 2017, KTWU had \$2.5 million invested in capital assets, net of accumulated depreciation, compared to \$2.7 million and \$2.9 million at June 30, 2016 and 2015, respectively. Depreciation charges totaled \$204,339 for the fiscal year ended June 30, 2016 compared to \$218,114 and \$241,280 for the fiscal years ended June 30, 2016 and 2015, respectively. Details of these assets are as follows:

Condensed Statement Of Capital Assets, Net Of Depreciation As Of June 30, 2017, 2016 and 2015

	2017	2016	2015
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	2,046,889	2,149,738	2,252,588
Transmitter and antenna	244,962	288,434	331,906
Transmission and broadcast equipment	70,387	79,426	106,219
Office equipment	153,334	182,628	221,570
Projects in progress	—	—	—
	<u>\$ 2,542,748</u>	<u>\$ 2,727,402</u>	<u>\$ 2,939,459</u>

There were no major capital additions during the fiscal years ended June 30, 2017 and 2016. Major capital additions during the fiscal year ended June 30, 2015 include replacement of a hail-damaged roof.

Economic Outlook

The current economy, new technology, and changes in consumer preferences for assessing and consuming educational, informational and entertainment content continually affect KTWU. Accordingly, management makes strategic changes each year to ensure the financial health of the station. KTWU enjoys great community support, a strong base of volunteers and a well-trained staff of professionals. The station's viewing audience, which has been steady over recent years, is now seeing increases in younger, cable cord-cutters watching on a regular basis. KTWU continues to be entrepreneurial in its efforts to increase revenue through membership drives, corporate underwriting and its annual auction. In the last two years, KTWU has

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Management's Discussion And Analysis (*Continued*)

increased its receipt of competitive grants and has begun to distribute more national programming to other PBS stations as a way to create new revenue. Additionally, KTWU institutes strategic cost-cutting methods with each budget cycle.

KTWU 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, KTWU's prudent use of resources, cost containment efforts and enhancement of its revenue sources will strengthen KTWU 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 Station's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Bob Crutsinger, Associate Vice President for Finance, Washburn University, Morgan Hall 211, 1700 SW College Ave., Topeka, Kansas 66621.

KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

	Assets	
	June 30,	
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 339,375	\$ 129,527
Accounts receivable	65,859	218,852
Prepaid expenses	16,624	43,205
Prepaid lease	2,100	2,100
Total Current Assets	423,958	393,684
Noncurrent Assets		
Receivable from Washburn University Foundation	748,141	708,178
Equity in the net assets of Washburn University Foundation	801,785	799,580
Prepaid lease and extended lease	18,025	20,125
Capital assets, net	2,542,748	2,727,402
Total Noncurrent Assets	4,110,699	4,255,285
Total Assets	\$ 4,534,657	\$ 4,648,969

Liabilities And Net Position

Current Liabilities		
Accounts payable	\$ 16,934	\$ 38,924
DTV loan from State of Kansas	45,635	45,635
Unearned revenue	6,311	2,675
Accrued payroll	23,666	23,541
Compensated absences	86,363	95,587
Total Current Liabilities	178,909	206,362
Non-current Liabilities		
DTV loan from State of Kansas	45,635	91,269
Total Non-current Liabilities	45,635	91,269
Total Liabilities	224,544	297,631
Net Position		
Net investment in capital assets	2,451,479	2,590,498
Restricted for		
Nonexpendable		
Endowments (gift value)	748,141	708,178
Expendable		
Other	842,610	781,388
Unrestricted	267,883	271,274
Total Net Position	\$ 4,310,113	4,351,338

KTWU TELEVISION
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2017	2016
Operating Revenues		
Auction and special fundraising events	\$ 54,549	\$ 56,131
Tower lease payments	207,786	190,553
RTL workshops	1,918	9,903
Miscellaneous operating revenues	84,338	88,118
Total Operating Revenues	348,591	344,705
Operating Expenses		
Support services		
Management and general	871,176	850,017
Fundraising and membership development	599,173	559,607
Underwriting and grant solicitation	68,009	157,556
Program services		
Programming and production	1,177,890	1,330,910
Broadcasting	541,013	583,209
Program information and promotion	168,596	187,048
Depreciation	204,339	218,114
Total Operating Expenses	3,630,196	3,886,461
Operating Loss	(3,281,605)	(3,541,756)
Nonoperating Revenues		
Community services and interconnection grants from Corporation for Public Broadcasting	806,316	876,386
State and local funds	497,348	466,158
Federal grants	3,777	—
Foundations, business and industry and private university contributions	408,714	453,124
Memberships and subscriptions	832,342	862,260
Donated facilities and administrative support from Washburn University of Topeka	490,166	502,940
Investment income	197,924	49,740
Total Nonoperating Revenues	3,236,587	3,210,608
Income (Loss) Before Other Revenues	(45,018)	(331,148)
Capital Grants		
Federal	3,793	1,860
State and local	—	—
Additions To Permanent Endowments	—	—
Change In Net Position	(41,225)	(329,288)
Net Position - Beginning Of Year	4,351,338	4,680,626
Net Position - End Of Year	\$ 4,310,113	\$ 4,351,338

KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Other operating revenues	\$ 510,889	\$ 176,814
Payments to suppliers	(1,246,106)	(1,415,946)
Payments to employees	(1,688,358)	(1,749,476)
Net Cash Used In Operating Activities	(2,423,575)	(2,988,608)
Cash Flows Provided By Investing Activities		
Interest and dividends received	146,453	346,135
Cash Flows From Noncapital Financing Activities		
CPB funds, state and local funds	1,307,441	1,342,544
Underwriting and other revenues	408,714	453,124
Memberships and subscriptions	832,342	862,260
Net Cash Provided By Noncapital Financing Activities	2,548,497	2,657,928
Cash Flows From Capital And Related Financing Activities		
Capital grants and gifts received	3,793	1,860
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	(19,685)	(6,057)
Net Cash Used In Capital And Related Financing Activities	(61,527)	(49,832)
Change In Cash And Cash Equivalents	209,848	(34,377)
Cash And Cash Equivalents - Beginning Of Year	129,527	163,904
Cash And Cash Equivalents - End Of Year	\$ 339,375	\$ 129,527
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (3,281,605)	\$ (3,541,756)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	204,339	218,114
Donated facilities and administrative support from Washburn University of Topeka	490,166	502,940
Changes in assets and liabilities:		
Accounts receivable	162,296	(167,892)
Prepaid expenses and other assets	28,681	(16,736)
Accounts payable and unearned revenue	(18,354)	8,301
Accrued payroll and compensated absences	(9,098)	8,421
Net Cash Used In Operating Activities	\$ (2,423,575)	\$ (2,988,608)
Noncash Investing And Financing Activities		
Change in fair value of investments	\$ 42,168	\$ (314,237)
Additions to permanent endowments	—	—

**KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2017 And 2016**

1. Nature Of Operations And Summary Of Significant Accounting Policies

The accounting policies of KTWU Television (KTWU or “the Station”) conform to U.S. generally accepted accounting principles applicable to state and local governments engaged only in business-type activities, as adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

KTWU is operated by Washburn University of Topeka (the University) as a separate department of the University. All amounts contained in this report are included in the audited financial statements of the University, as of and for the years ended June 30, 2017 and 2016.

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.

KTWU distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions, such as providing and receiving goods and services in connection with ongoing operations. The principal operating revenues of KTWU are from auction activities, lease of tower space, workshops conducted for a fee, and miscellaneous operating activities. Operating expenses include the costs of providing the various programs, administrative expenses and depreciation on capital assets.

Certain significant revenues relied upon for operations, such as grants, contributions and memberships and subscriptions, do not result from exchange transactions and are recorded as nonoperating revenues. These revenues are recognized in the year in which all eligibility requirements have been satisfied.

**KTWU TELEVISION
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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 KTWU must provide local resources to be used for a specified purpose, and expenditure requirements, where the resources are provided to KTWU on a reimbursement basis.

Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among programming and support services benefited based on total personnel costs or other systematic bases.

Cash

KTWU participates in a pooled cash account with the University.

Fair Value Reporting

KTWU 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. At June 30, 2017 and 2016, KTWU held no investments that required such presentation.

Accounts Receivable

Accounts receivable are carried at the original amount. Management considers all receivables to be collectible. Accordingly, no allowance for doubtful accounts has been established. Receivables are charged off when deemed uncollectible. Recoveries of receivables previously charged off are recorded as revenue when received.

Restricted Investments Managed By Washburn University Foundation

Washburn University Foundation (the Foundation), an affiliate of Washburn University of Topeka, holds investments designated for KTWU. Only the earnings on these investments can be used for KTWU operations. The funds are included in the pooled investments of the Foundation. Fair value is determined by multiplying the fair value per share by the number of shares owned by KTWU as determined by the Foundation. These amounts are presented as Receivable from Washburn University Foundation and Equity in the net assets of Washburn University Foundation on the Statement of Net Position.

KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

Capital Assets

Capital assets, including projects in progress, are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. 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. KTWU capitalizes interest on the construction of capital assets when material; no interest was capitalized for the years ended June 30, 2017 and 2016.

KTWU's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. The estimated useful lives are:

Buildings, improvements and infrastructure	40 years
Transmitters and antenna	20 years
Transmission and broadcasting equipment	3 - 10 years
Furniture and equipment	3 - 10 years

Compensated Absences

The University provides paid vacation and sick leave to KTWU 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.

Net Position

KTWU's net position is classified as follows:

Net Investment in Capital Assets

This represents KTWU'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.

**KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

Restricted Net Position - Expendable

This includes resources that KTWU 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 KTWU's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Unrestricted Net Position

This includes resources derived from state appropriations and other resources that do not have restrictions imposed by external third parties. These resources are used for transactions relating to general operations of KTWU.

Pension Plan

The University provides retirement benefits for all of KTWU's employees who meet eligibility requirements, through individual annuities with TIAA-CREF. 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 employees. Total expenses paid by the University for KTWU employees amounted to approximately \$116,478 and \$117,489 for the years ended June 30, 2017 and 2016, respectively.

In-kind Contributions

Donated facilities from Washburn University of Topeka consist of office and studio space, together with related occupancy costs, and are recorded in revenue and expense on the statements of revenues, expenses and changes in net position in the amount of \$490,166 and \$502,940 for the years ended June 30, 2017 and 2016, respectively. Occupancy costs are based on estimated fair values per an appraisal; administrative costs are allocated based on expenditures.

Income Taxes

As KTWU is part of the University, it is exempt from 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.

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Notes to Financial Statements (*Continued*)

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.

2. Cash And Investments

The University maintains a cash and investment pool that is available for use by the Station.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, an entity's deposits may not be returned to it. KTWU'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 of 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.

At June 30, 2017 and 2016, KTWU's cash and cash equivalents were held in financial institutions. KTWU had no bank balances exposed to custodial credit risk at June 30, 2017 and 2016.

Investments

KTWU 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. KTWU had no investments exposed to custodial credit risk at June 30, 2017 and 2016. KTWU currently does not maintain a formal investment policy that addresses credit or interest rate risk. However, management believes KTWU has complied with the State of Kansas' statutes and regulations regarding investment activity.

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Notes to Financial Statements (*Continued*)

3. Receivable From Washburn University Foundation

Receivable from Washburn University Foundation consists of KTWU's participation in investments managed by the Foundation in the amount of \$748,141 and \$708,178 at June 30, 2017 and 2016, respectively. As KTWU 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.

4. Equity In The Net Assets Of Washburn University Foundation

Contributions for specific capital projects and other activities are being held and invested by the Foundation until KTWU requests the funds be transferred to the Station. KTWU had a claim on the net assets of the Foundation in the amount of \$801,785 and \$799,580 as of June 30, 2017 and 2016, respectively.

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Notes to Financial Statements (*Continued*)

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	2017				Balance - June 30, 2017
	Balance - July 1, 2016	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,967,883	—	—	—	3,967,883
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,631,903	19,685	—	—	5,651,588
Furniture and equipment	740,304	—	—	—	740,304
Total capital assets, being depreciated	11,276,361	19,685	—	—	11,296,046
Less accumulated depreciation for					
Buildings, tower and improvements	(1,818,145)	(102,849)	—	—	(1,920,994)
Transmitters and antenna	(647,837)	(43,472)	—	—	(691,309)
Transmitters and broadcast equipment	(5,552,477)	(28,724)	—	—	(5,581,201)
Furniture and equipment	(557,676)	(29,294)	—	—	(586,970)
Total accumulated depreciation	(8,576,135)	(204,339)	—	—	(8,780,474)
Total capital assets being depreciated, net	2,700,226	(184,654)	—	—	2,515,572
Total capital assets	\$ 2,727,402	\$ (184,654)	\$ —	\$ —	\$ 2,542,748

KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	2016				Balance - June 30, 2016
	Balance - July 1, 2015	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,967,883	—	—	—	3,967,883
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,856,697	6,057	—	(230,851)	5,631,903
Furniture and equipment	743,470	—	—	(3,166)	740,304
Total capital assets, being depreciated	11,504,321	6,057	—	(234,017)	11,276,361
Less accumulated depreciation for					
Buildings, tower and improvements	(1,715,295)	(102,850)	—	—	(1,818,145)
Transmitters and antenna	(604,365)	(43,472)	—	—	(647,837)
Transmitters and broadcast equipment	(5,750,478)	(32,850)	—	230,851	(5,552,477)
Furniture and equipment	(521,900)	(38,942)	—	3,166	(557,676)
Total accumulated depreciation	(8,592,038)	(218,114)	—	234,017	(8,576,135)
Total capital assets being depreciated, net	2,912,283	(212,057)	—	—	2,700,226
Total capital assets	\$ 2,939,459	\$(212,057)	\$ —	\$ —	\$ 2,727,402

6. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2017 and 2016:

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Notes to Financial Statements (*Continued*)

	Balance - June 30, 2016	Additions	Reductions	Balance - June 30, 2017	Due Within One Year
DTV Loan	\$ 136,904	\$ —	\$ (45,634)	\$ 91,270	\$ 45,635
	Balance - June 30, 2015	Additions	Reductions	Balance - June 30, 2016	Due Within One Year
DTV Loan	\$ 182,539	\$ —	\$ (45,635)	\$ 136,904	\$ 45,635

During fiscal year 2009, 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. The loan is payable over 10 years, with payments due each July 31, beginning in 2009. The loan 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, 2017 and 2016 was .90% and 0.69%, respectively, and will reset on February 1, 2018. The balance of the loan was \$91,270 and \$136,904 on June 30, 2017 and 2016, respectively.

The annual requirements for payments over the life of the loan are as follows:

For The Year Ending June 30,	Principal	Interest	Total
2018	\$ 45,635	\$ 630	\$ 46,265
2019	45,635	315	45,950
	\$ 91,270	\$ 945	\$ 92,215

7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through May 2027. Total rents received under these agreements amounted to \$207,786 and \$190,553 for 2017 and 2016, respectively.

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Notes to Financial Statements (*Continued*)

Remaining future minimum receipts under these lease agreements at June 30, 2017 are as follows:

<u>For The Year Ending June 30,</u>	<u>Lease Agreement</u>
2018	189,738
2019	164,975
2020	133,641
2021	116,780
2022	88,594
2023-2027	218,988
	<u>\$ 912,716</u>

8. Significant Estimates And Concentrations

Accounting principles generally accepted in the United States of America require disclosures of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Major Funding

During 2017 and 2016, KTWU received approximately 22.5% and 24.6%, respectively, of its operating and nonoperating revenues from the Corporation for Public Broadcasting.

Risk Management

KTWU 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 illness, 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. There have not been significant reductions in coverage from prior years. Washburn University has established a self-insurance fund for health insurance. The health insurance program began in November 2002 for all University employees.

Supplementary Information

KTWU TELEVISION
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SCHEDULE OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2017 And 2016

	Support Services			Program Services			2017	2016	
	Management	Fundraising		Programming	Program				
		And	And		And	Information			And
Salaries and employee benefits	\$ 255,852	\$ 410,232	\$ 65,801	\$ 531,712	\$ 335,728	\$ 79,935	\$ 1,679,260	\$ 1,757,897	
Donated facilities and administrative support	459,289	—	—	—	30,877	—	490,166	502,940	
Professional services	3,785	10,004	—	17,164	8,235	515	39,703	68,484	
Telephone and fax	35,863	—	—	—	2,536	—	38,399	33,282	
Postage and freight	36	14,773	1,811	1,559	306	1,473	19,958	22,821	
Printing and copier	200	1,330	143	2,374	—	985	5,032	10,451	
Materials and supplies	10,181	85,551	—	10,889	4,388	23,490	134,499	110,339	
Dues	19,749	90	—	37,288	—	18,658	75,785	104,578	
Program expenses	—	—	—	542,354	—	—	542,354	604,864	
Equipment and equipment rent	8,868	694	—	1,680	15,139	301	26,682	18,130	
Equipment repair and maintenance	98	—	—	96	22,169	—	22,363	40,575	
Computer equipment and software	—	(349)	—	11,723	12,530	59	23,963	12,916	
Vehicle expense	1,545	—	—	981	1,237	—	3,763	2,466	
Credit card expense	—	15,084	—	—	—	—	15,084	11,891	
Utilities, trash hauling and insurance	30,231	—	—	656	95,905	—	126,792	124,334	
Buildings and grounds	2,982	—	—	24	10,490	—	13,496	18,424	
Travel	11,786	11,214	254	3,203	—	—	26,457	27,473	
Marketing and advertising	21,120	40,807	—	13,662	—	42,941	118,530	123,223	
Other expenses	9,591	9,743	—	2,525	1,473	239	23,571	73,259	
Total Support And									
Program Services - 2017	\$ 871,176	\$ 599,173	\$ 68,009	\$ 1,177,890	\$ 541,013	\$ 168,596	\$ 3,425,857	\$ 3,668,347	
Total Support And									
Program Services - 2016	\$ 850,017	\$ 559,607	\$ 157,556	\$ 1,330,910	\$ 583,209	\$ 187,048			