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***KTWU TELEVISION***  
***A PUBLIC TELECOMMUNICATIONS***  
***ENTITY OPERATED BY***  
***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 KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka (KTWU) as of and for the years then ended June 30, 2016 and 2015, 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, 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***

*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 6, 2017

## **KTWU TELEVISION**

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### **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, 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 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 a non-commercial educational television station serving 35 counties in eastern Kansas, 12 counties in northwest Missouri and one county in northeast Oklahoma. KTWU broadcasts 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, 2016**

KTWU ended the year with total assets of \$4,648,969 and liabilities of \$297,631 compared to \$5,007,170 and \$326,544 respectively, at June 30, 2015. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$4,351,338 at June 30, 2016. This is a decrease of \$329,288 from last year's net position of \$4,680,626.

Operating revenues were \$344,705 and operating expenses were \$3,886,461, resulting in a loss from operations of \$3,541,756. 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, 2016, nonoperating revenues were \$3,210,608, which, when combined with other revenue sources of \$1,860 and the loss from operations, resulted in an overall decrease of \$329,288 in net position, compared to a decrease of \$62,687 for the year ended June 30, 2015.

### **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, 2016, 2015 and 2014 is presented below:

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Management's Discussion And Analysis (*Continued*)

**Condensed Statements Of Net Position**  
**As Of June 30, 2016, 2015 and 2014**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Current assets	\$ 393,684	\$ 223,491	\$ 491,932
Other assets	1,527,883	1,844,220	1,572,648
Capital assets, net	2,727,402	2,939,459	3,051,823
	<u>4,648,969</u>	<u>5,007,170</u>	<u>5,116,403</u>
<b>Liabilities</b>			
Current liabilities	206,362	189,640	190,551
Noncurrent liabilities	91,269	136,904	182,539
	<u>297,631</u>	<u>326,544</u>	<u>373,090</u>
<b>Total Net Position</b>	<u>4,351,338</u>	<u>4,680,626</u>	<u>4,743,313</u>
<b>Net Position Consists Of</b>			
Net investment in capital assets	2,590,498	2,756,920	2,823,649
Restricted - nonexpendable	708,178	799,975	865,450
Restricted - expendable	781,388	399,151	324,385
Unrestricted	271,274	724,580	729,829
<b>Total Net Position</b>	<u>\$ 4,351,338</u>	<u>\$ 4,680,626</u>	<u>\$ 4,743,313</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 \$393,684, \$223,491 and \$491,932, respectively, at June 30, 2016, 2015 and 2014. Total current assets at June 30, 2016, 2015 and 2014 covered current liabilities 1.9, 1.2 times and 2.6 times, respectively, an indicator of good liquidity. Capital assets, which represented 58.7 percent, 58.7 percent and 59.6 percent of total assets at June 30, 2016, 2015 and 2014, 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, 2016, 2015 and 2014.



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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, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 344,705	\$ 330,217	\$ 301,344
Operating expenses	3,886,461	3,890,449	3,839,415
	(3,541,756)	(3,560,232)	(3,538,071)
Nonoperating revenues and expenses	3,210,608	3,487,344	3,509,322
Income (loss) before other revenues	(331,148)	(72,888)	(28,749)
Other revenues	1,860	10,201	77,950
Change in net position	(329,288)	(62,687)	49,201
Net position at beginning of year	4,680,626	4,743,313	4,694,112
Net position at end of year	\$ 4,351,338	\$ 4,680,626	\$ 4,743,313

#### **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.

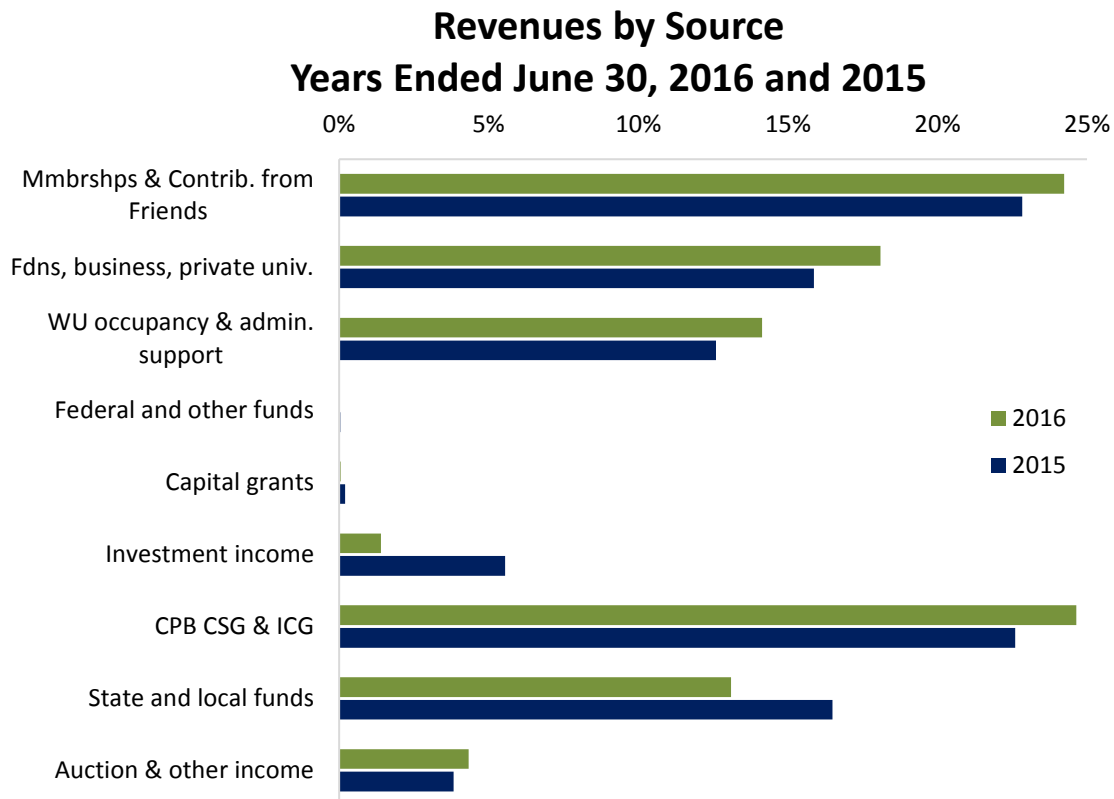
# KTWU TELEVISION

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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.

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, 2016 and 2015.

## KTWU TELEVISION

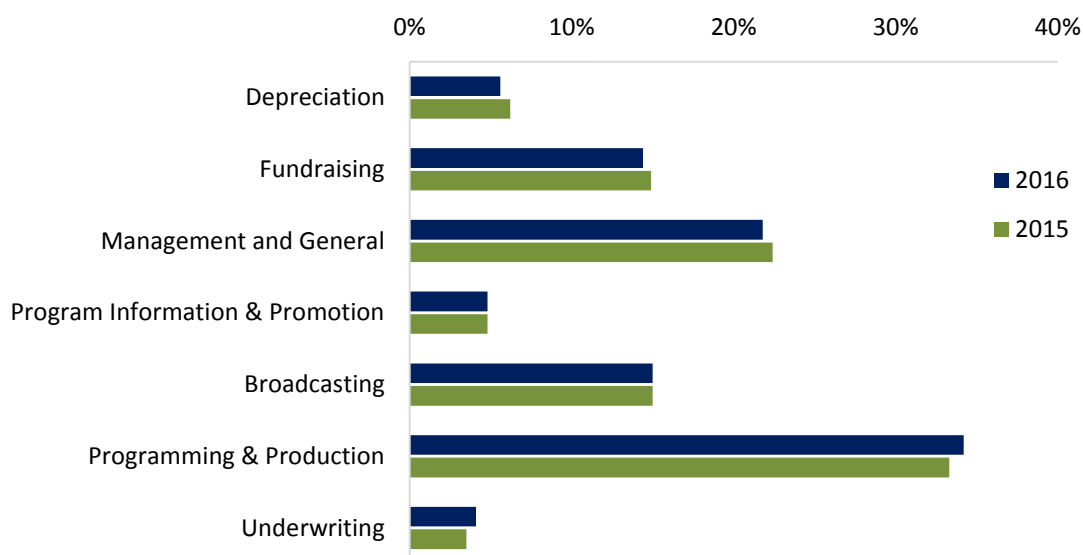
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Management's Discussion And Analysis (*Continued*)

### 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 45.9 percent of expenses for the year ended June 30, 2016 compared to 46.9 percent for the year ended June 30, 2015. KTWU's effort to control expenses is reflected in the overall reduction of total expenses for the year.

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

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$62,687 during the year ended June 30, 2015 compared to an increase in net position of \$49,201 during fiscal year 2014. 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, 2015 and 2014.

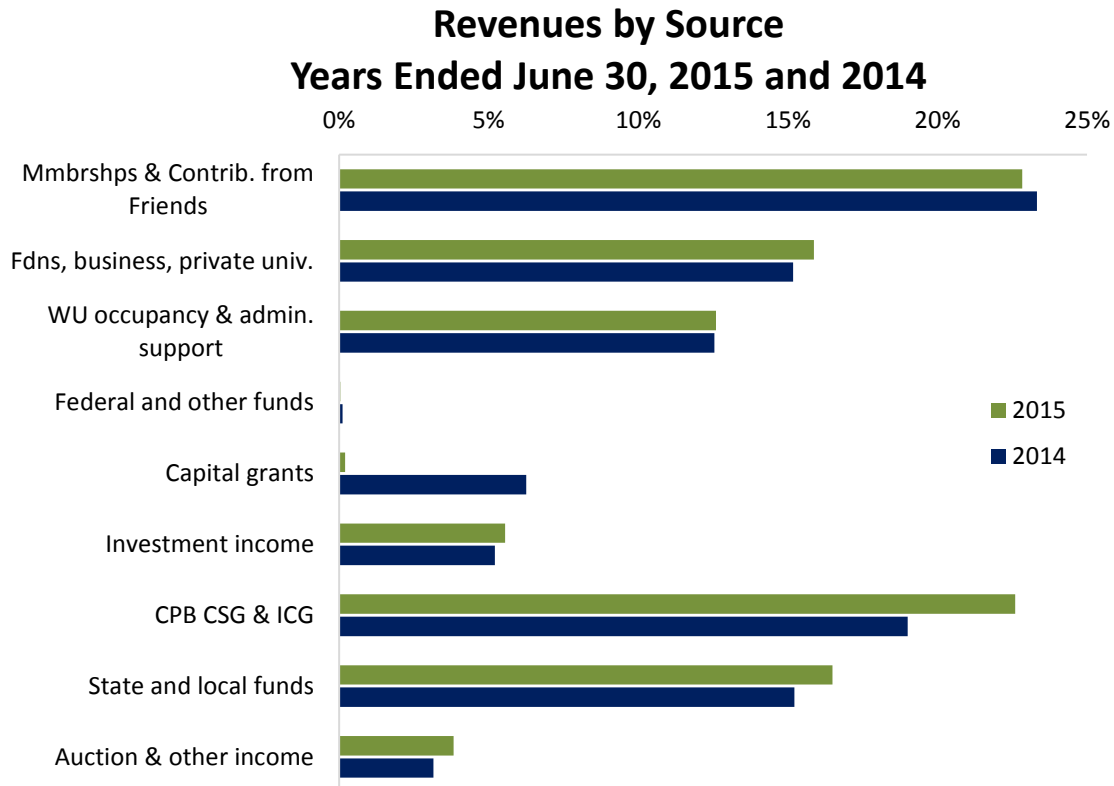
# KTWU TELEVISION

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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 45.4 percent of KTWU's revenue for the year ended June 30, 2015 compared to 46.9 percent for the year ended June 30, 2014. State and local funds accounted for 16.5 percent of revenue for the year ended June 30, 2015 compared to 13.0 percent for the year ended June 30, 2014.

## Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2015 and 2014.

# KTWU TELEVISION

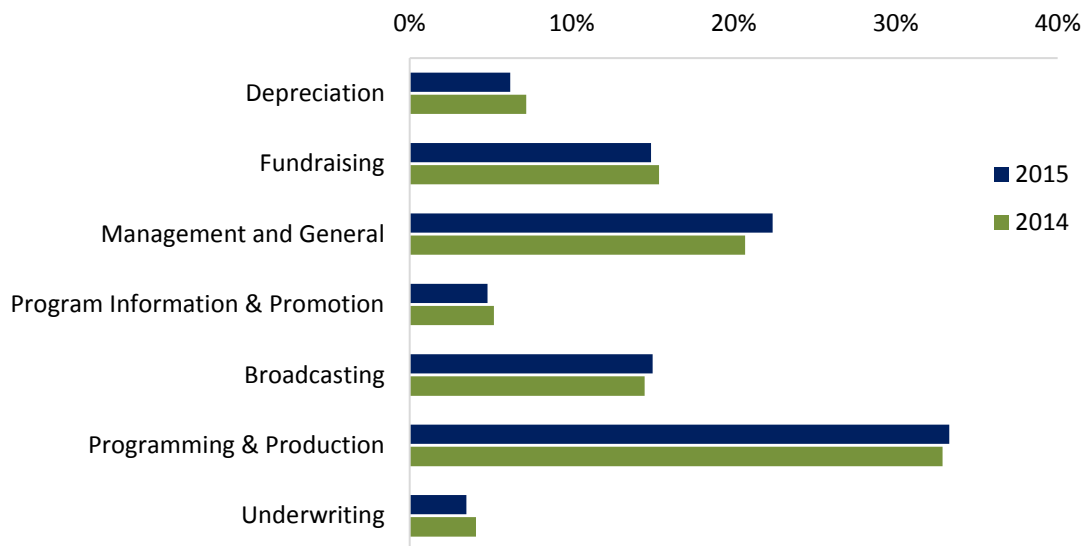
A Public Telecommunications Entity

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Management's Discussion And Analysis (*Continued*)

## KTWU Expense by Function Years Ended June 30, 2015 and 2014



Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 53.1 percent of KTWU's expenses for the year ended June 30, 2015 compared to 53.7 percent for the year ended June 30, 2014. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 46.9 percent of expenses for the year ended June 30, 2015 compared to 46.3 percent for the year ended June 30, 2014.

## **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, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash provided by (used in):			
Operating activities	\$ (2,988,608)	\$ (2,830,312)	\$ (2,819,366)
Noncapital financing activities	2,657,928	2,479,221	2,806,804
Capital and related financing activities	(49,832)	(166,850)	(75,033)
Investing activities	346,135	281,112	263,878
Net change in cash	(34,377)	(236,829)	176,283
Cash - Beginning Of Year	163,904	400,733	224,450
Cash - End Of Year	<u>\$ 129,527</u>	<u>\$ 163,904</u>	<u>\$ 400,733</u>

#### **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.

## KTWU TELEVISION

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

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

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 \$236,829 for the fiscal year ended June 30, 2015 compared to an increase of \$176,283 for the fiscal year ended June 30, 2014.

#### Capital Assets

KTWU had a decrease in capital assets during fiscal years 2016 and 2015. At June 30, 2016, KTWU had \$2.7 million invested in capital assets, net of accumulated depreciation, compared to \$2.9 million and \$3.1 million at June 30, 2015 and 2014, respectively. Depreciation charges totaled \$218,114 for the fiscal year ended June 30, 2016 compared to \$241,280 and \$270,267 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 As Of June 30, 2016, 2015 and 2014

	2016	2015	2014
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	2,149,738	2,252,588	2,231,603
Transmitter and antenna	288,434	331,906	375,377
Transmission and broadcast equipment	79,426	106,219	148,909
Office equipment	182,628	221,570	268,758
Projects in progress	—	—	—
	\$ 2,727,402	\$ 2,939,459	\$ 3,051,823

There were no major capital additions during the fiscal year ended June 30, 2016.

Major capital additions during the fiscal year ended June 30, 2015 include replacement of a hail-damaged roof.

#### Economic Outlook

Although KTWU continues to be affected by the current economy, management believes that the station is in excellent financial condition and will continue to provide excellent service to its viewing audience. KTWU continues its efforts to increase its revenues through pledge drives and the annual auction, as well as applying for external grant funding to help offset the expense of purchasing new digital equipment as well as maintaining the existing equipment as it ages.

## **KTWU TELEVISION**

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

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 Ray Hauke, Interim 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,	
	2016	2015
<b>Current Assets</b>		
Cash and cash equivalents	\$ 129,527	\$ 163,904
Accounts receivable	218,852	33,118
Prepaid expenses	43,205	24,369
Prepaid lease	2,100	2,100
<b>Total Current Assets</b>	<b>393,684</b>	<b>223,491</b>
<b>Noncurrent Assets</b>		
Receivable from Washburn University Foundation	708,178	799,975
Equity in the net assets of Washburn University Foundation	799,580	1,022,020
Prepaid lease and extended lease	20,125	22,225
Capital assets, net	2,727,402	2,939,459
<b>Total Noncurrent Assets</b>	<b>4,255,285</b>	<b>4,783,679</b>
<b>Total Assets</b>	<b>\$ 4,648,969</b>	<b>\$ 5,007,170</b>

**Liabilities And Net Position**

<b>Current Liabilities</b>		
Accounts payable	\$ 38,924	\$ 30,628
DTV loan from State of Kansas	45,635	45,635
Unearned revenue	2,675	2,670
Accrued payroll	23,541	14,507
Compensated absences	95,587	96,200
<b>Total Current Liabilities</b>	<b>206,362</b>	<b>189,640</b>
<b>Non-current Liabilities</b>		
DTV loan from State of Kansas	91,269	136,904
<b>Total Non-current Liabilities</b>	<b>91,269</b>	<b>136,904</b>
<b>Total Liabilities</b>	<b>297,631</b>	<b>326,544</b>
<b>Net Position</b>		
Net investment in capital assets	2,590,498	2,756,920
Restricted for		
Nonexpendable		
Endowments (gift value)	708,178	799,975
Expendable		
Other	781,388	399,151
Unrestricted	271,274	724,580
<b>Total Net Position</b>	<b>\$ 4,351,338</b>	<b>4,680,626</b>

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

	For The Years Ended June 30,	
	2016	2015
<b>Operating Revenues</b>		
Auction and special fundraising events	\$ 56,131	\$ 60,812
Tower lease payments	190,553	183,493
RTL workshops	9,903	7,850
Miscellaneous operating revenues	88,118	78,062
<b>Total Operating Revenues</b>	<b>344,705</b>	<b>330,217</b>
<b>Operating Expenses</b>		
Support services		
Management and general	850,017	869,745
Fundraising and membership development	559,607	578,797
Underwriting and grant solicitation	157,556	135,013
Program services		
Programming and production	1,330,910	1,295,301
Broadcasting	583,209	583,219
Program information and promotion	187,048	187,094
Depreciation	218,114	241,280
<b>Total Operating Expenses</b>	<b>3,886,461</b>	<b>3,890,449</b>
<b>Operating Loss</b>	<b>(3,541,756)</b>	<b>(3,560,232)</b>
<b>Nonoperating Revenues</b>		
Community services and interconnection grants from Corporation for Public Broadcasting	876,386	864,893
State and local funds	466,158	631,127
Federal grants	—	1,607
Foundations, business and industry and private university contributions	453,124	420,021
Memberships and subscriptions	862,260	873,729
Donated facilities and administrative support from Washburn University of Topeka	502,940	482,241
Investment income	49,740	213,726
<b>Total Nonoperating Revenues</b>	<b>3,210,608</b>	<b>3,487,344</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(331,148)</b>	<b>(72,888)</b>
<b>Capital Grants</b>		
Federal	1,860	12,635
State and local	—	(4,934)
<b>Additions To Permanent Endowments</b>	—	2,500
<b>Change In Net Position</b>	<b>(329,288)</b>	<b>(62,687)</b>
<b>Net Position - Beginning Of Year</b>	<b>4,680,626</b>	<b>4,743,313</b>
<b>Net Position - End Of Year</b>	<b>\$ 4,351,338</b>	<b>\$ 4,680,626</b>

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**STATEMENTS OF CASH FLOWS**

	For The Years Ended June 30,	
	2016	2015
<b>Cash Flows From Operating Activities</b>		
Other operating revenues	\$ 176,814	\$ 328,539
Payments to suppliers	(1,415,946)	(1,439,645)
Payments to employees	(1,749,476)	(1,719,206)
<b>Net Cash Used In Operating Activities</b>	<b>(2,988,608)</b>	<b>(2,830,312)</b>
<b>Cash Flows Provided By Investing Activities</b>		
Interest and dividends received	346,135	281,112
<b>Cash Flows From Noncapital Financing Activities</b>		
CPB funds, state and local funds	1,342,544	1,497,627
Underwriting and other revenues	453,124	107,865
Memberships and subscriptions	862,260	873,729
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>2,657,928</b>	<b>2,479,221</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Capital grants and gifts received	1,860	7,701
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	(6,057)	(128,916)
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(49,832)</b>	<b>(166,850)</b>
<b>Change In Cash And Cash Equivalents</b>	<b>(34,377)</b>	<b>(236,829)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>163,904</b>	<b>400,733</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 129,527</b>	<b>\$ 163,904</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (3,541,756)	\$ (3,560,232)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	218,114	241,280
Donated facilities and administrative support from Washburn University of Topeka	502,940	482,241
Changes in assets and liabilities:		
Accounts receivable	(167,892)	(1,677)
Prepaid expenses and other assets	(16,736)	8,988
Accounts payable and unearned revenue	8,301	1,147
Accrued payroll and compensated absences	8,421	(2,059)
<b>Net Cash Used In Operating Activities</b>	<b>\$ (2,988,608)</b>	<b>\$ (2,830,312)</b>
<b>Noncash Investing And Financing Activities</b>		
Change in fair value of investments	\$ (314,237)	\$ (40,984)
Additions to permanent endowments	—	2,500

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 And 2015**

**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, 2016 and 2015.

**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.

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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, 2016 and 2015, 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.

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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, 2016 and 2015.

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.

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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 charged to KTWU by the University amounted to approximately \$117,489 and \$113,700 for the years ended June 30, 2016 and 2015, 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 \$502,940 and \$482,241 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, KTWU's cash and cash equivalents were held in financial institutions. KTWU had no bank balances exposed to custodial credit risk at June 30, 2016 and 2015.

**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, 2016 and 2015. 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 \$708,178 and \$799,975 at June 30, 2016 and 2015, 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 \$799,580 and \$1,022,020 as of June 30, 2016 and 2015, 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, 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

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Notes to Financial Statements (*Continued*)

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	2015				Balance - June 30, 2015
	Balance - July 1, 2014	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	3,844,869	123,014	—	—	3,967,883
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,933,195	—	—	(76,498)	5,856,697
Furniture and equipment	738,187	5,903	—	(620)	743,470
Total capital assets, being depreciated	11,452,522	128,917	—	(77,118)	11,504,321
Less accumulated depreciation for					
Buildings, tower and improvements	(1,613,266)	(102,029)	—	—	(1,715,295)
Transmitters and antenna	(560,894)	(43,471)	—	—	(604,365)
Transmitters and broadcast equipment	(5,784,286)	(42,689)	—	76,497	(5,750,478)
Furniture and equipment	(469,429)	(53,091)	—	620	(521,900)
Total accumulated depreciation	(8,427,875)	(241,280)	—	77,117	(8,592,038)
Total capital assets being depreciated, net	3,024,647	(112,363)	—	(1)	2,912,283
Total capital assets	\$ 3,051,823	\$(112,363)	\$ —	\$ (1)	\$ 2,939,459

## 6. Noncurrent Liabilities

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

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Notes to Financial Statements *(Continued)*

	<b>Balance - June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance - June 30, 2016</b>	<b>Due Within One Year</b>
DTV Loan	\$ 182,539	\$ —	\$ (45,635)	\$ 136,904	\$ 45,635
	<b>Balance - June 30, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance - June 30, 2015</b>	<b>Due Within One Year</b>
DTV Loan	\$ 228,174	\$ —	\$ (45,635)	\$ 182,539	\$ 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, 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.

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

<u>For The Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,635	\$ 641	\$ 46,276
2018	45,635	630	46,265
2019	45,634	315	45,949
	\$ 136,904	\$ 1,586	\$ 138,490

## 7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through September 2026. Total rents received under these agreements amounted to \$190,553 and \$183,493 for 2016 and 2015, respectively.

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Notes to Financial Statements *(Continued)*

Remaining future minimum receipts under these lease agreements at June 30, 2016 are as follows:

<u>For The Year Ending June 30,</u>	<u>Lease Agreement</u>
2017	202,889
2018	127,295
2019	65,290
2020	30,289
2021	22,857
2022-2026	111,911
Thereafter	2,153
	<hr/>
	\$ 562,684

## 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 2016 and 2015, KTWU received approximately 24.6% and 22.6%, 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.

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**Supplementary Information**

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**KTWU TELEVISION**  
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**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For The Years Ended June 30, 2016 And 2015**

	Support Services			Program Services			2016	2015
	Management	Fundraising		Programming	Program			
		And	And		And	Information		
	Development	And Grant	Production	Broadcasting	And			
		Solicitation			Promotion			
Salaries and employee benefits	\$ 182,155	\$ 384,929	\$ 152,622	\$ 595,558	\$ 345,388	\$ 97,245	\$ 1,757,897	\$ 1,717,147
Donated facilities and administrative support	472,063	—	—	—	30,877	—	502,940	482,241
Professional services	37,616	6,204	—	13,952	10,252	460	68,484	63,991
Telephone and fax	28,964	—	—	230	4,088	—	33,282	30,200
Postage and freight	2,097	14,689	3,982	769	165	1,119	22,821	26,045
Printing and copier	1,419	1,960	526	1,944	879	3,723	10,451	6,676
Materials and supplies	11,212	69,929	—	7,205	7,932	14,061	110,339	116,416
Dues	26,469	380	—	51,869	—	25,860	104,578	115,284
Program expenses	—	—	—	604,864	—	—	604,864	568,260
Equipment and equipment rent	11,918	657	—	2,205	3,595	(245)	18,130	18,526
Equipment repair and maintenance	417	—	—	4	40,029	125	40,575	18,436
Computer equipment and software	—	1,028	—	2,164	9,106	618	12,916	13,484
Vehicle expense	1,854	—	—	612	—	—	2,466	4,494
Credit card expense	—	11,891	—	—	—	—	11,891	10,040
Utilities, trash hauling and insurance	10,149	—	—	7,154	107,031	—	124,334	132,444
Buildings and grounds	9,662	7	—	—	8,755	—	18,424	99,729
Travel	7,837	12,844	426	5,886	355	125	27,473	27,380
Marketing and advertising	22,583	40,904	—	13,837	2,615	43,284	123,223	165,981
Other expenses	23,602	14,185	—	22,657	12,142	673	73,259	32,395
<b>Total Support And</b>								
<b>Program Services - 2016</b>	\$ 850,017	\$ 559,607	\$ 157,556	\$ 1,330,910	\$ 583,209	\$ 187,048	\$ 3,668,347	\$ 3,649,169
<b>Total Support And</b>								
<b>Program Services - 2015</b>	\$ 869,745	\$ 578,797	\$ 135,013	\$ 1,295,301	\$ 583,219	\$ 187,094		