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**WASHBURN UNIVERSITY OF TOPEKA**

*FINANCIAL STATEMENTS*

*JUNE 30, 2014*

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## Independent Auditors' Report

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

### Report On The Financial Statements

We have audited the accompanying financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Washburn University Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$184,875,451 and \$163,438,108 as of June 30, 2014 and 2013, respectively, and total revenues of \$28,954,386 and \$23,354,578, respectively, for the years then ended or the Washburn Law School Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$8,316,966 and \$7,875,685 as of June 30, 2014 and 2013, respectively, and total revenues of \$1,469,366 and \$1,172,797, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Washburn University Foundation and the Washburn Law School Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Washburn University Foundation and Washburn Law School Foundation, which comprise the financial statements of the discretely presented component units, were not audited in accordance with *Government Auditing Standards* and the applicable provisions of the Kansas Municipal Audit Guide.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of the other accountants are sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the University's financial statements. The accompanying schedules required for revenue refunding bonds and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules required for revenue refunding bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the University's internal control over financial reporting and compliance.

*RubinBrown LLP*

December 23, 2014

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**WASHBURN UNIVERSITY OF TOPEKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014**

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The following Management's Discussion and Analysis (MD&A) provides a discussion and analysis of the financial position and activities of Washburn University (the University) during the fiscal year ended June 30, 2014 and comparative data for the fiscal years ended June 30, 2013 and 2012. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and for this discussion and analysis.

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

### **The Reporting Entity**

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

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

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

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

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

## WASHBURN UNIVERSITY OF TOPEKA

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

#### **Using The Financial Statements**

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

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

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

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

#### **Financial Highlights For The Fiscal Year Ended June 30, 2014**

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

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

The University's financial position remained strong at June 30, 2014, with total assets of \$204.3 million, deferred outflows of resources of \$658,000, and liabilities of \$41.1 million, compared to total assets of \$194.2 million, deferred outflows of resources of \$821,000 and liabilities of \$41.6 million at June 30, 2013. Net position was \$163.9 million at June 30, 2014. This is a 6.8 percent increase from last fiscal year's net position of \$153.4 million. Earnings from endowments and increased local appropriations, along with lower operating expenses, were the primary causes of the increase in net position.



## WASHBURN UNIVERSITY OF TOPEKA

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

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$36.2 million and operating expenses were \$91.0 million, resulting in a loss from operations of \$54.9 million. GASB Statement No. 35 requires state and local appropriations, gifts and investment income to be classified as nonoperating revenues. As a result, the University reports a net operating loss. This net operating loss does not present a complete picture of the University's operations.

Such a complete picture of operations requires consideration of net nonoperating revenues. For the year ended June 30, 2014, nonoperating revenues were \$64.6 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net position of \$10.4 million compared to an increase of \$8.4 million for the year ended June 30, 2013.

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

Washburn Tech's financial position was also strong at June 30, 2014, with total assets of \$11.3 million and liabilities of approximately \$755,000, compared to total assets of \$11.7 million and liabilities of \$1.2 million at June 30, 2013. Net position was \$10.6 million, a 0.8% increase from net position of \$10.5 million at June 30, 2013. This slight increase is primarily the result of increased revenues from increased enrollment, offset by increased operating expenses resulting from increased enrollment, as well as depreciation on prior year capital additions relating to new instructional facilities.

Washburn Tech's operating revenues were \$2.9 million and operating expenses were \$12.8 million, resulting in a loss from operations of \$9.9 million. Net nonoperating revenues, made up predominantly of state appropriations and grants, were \$9.8 million, which, when combined with other revenue sources and the loss from operations, resulted in an increase in net position of \$49,000 for the year ended June 30, 2014, compared to an increase of \$4.2 million in the prior fiscal year.

#### **Statement Of Net Position**

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

## WASHBURN UNIVERSITY OF TOPEKA

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

A condensed comparison of the University's assets, deferred outflows of resources, liabilities and net position as of June 30, 2014, 2013 and 2012 is presented below:

#### Condensed Statements Of Net Position As of June 30, 2014, 2013 And 2012

|                                       | 2014                  | 2013                  | 2012                  |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Assets</b>                         |                       |                       |                       |
| Current assets                        | \$ 51,739,974         | \$ 52,362,877         | \$ 53,120,440         |
| Capital assets, net                   | 101,413,175           | 93,741,958            | 87,786,511            |
| Other assets                          | 62,415,100            | 59,806,590            | 46,572,864            |
| <b>Total Assets</b>                   | <b>215,568,249</b>    | <b>205,911,425</b>    | <b>187,479,815</b>    |
| <b>Deferred Outflows Of Resources</b> |                       |                       |                       |
|                                       | 658,440               | 821,364               | 934,535               |
| <b>Liabilities</b>                    |                       |                       |                       |
| Current liabilities                   | 14,326,236            | 12,219,860            | 13,738,751            |
| Noncurrent liabilities                | 27,476,761            | 30,572,044            | 23,301,216            |
| <b>Total Liabilities</b>              | <b>41,802,997</b>     | <b>42,791,904</b>     | <b>37,039,967</b>     |
| <b>Net Position</b>                   |                       |                       |                       |
| Net investment in capital assets      | 72,508,045            | 69,586,768            | 63,700,656            |
| Restricted - nonexpendable            | 33,374,041            | 30,617,879            | 28,104,281            |
| Restricted - expendable               | 40,513,711            | 37,167,886            | 30,237,232            |
| Unrestricted                          | 28,027,895            | 26,568,352            | 29,332,214            |
| <b>Total Net Position</b>             | <b>\$ 174,423,692</b> | <b>\$ 163,940,885</b> | <b>\$ 151,374,383</b> |

#### **Assets**

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

## **WASHBURN UNIVERSITY OF TOPEKA**

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

Current assets, which consist primarily of cash and receivables, totaled \$51.7 million at June 30, 2014. Total current assets at June 30, 2014 cover current liabilities 3.6 times, an indicator of excellent liquidity. Capital assets, net of related debt, which comprises 41.6 percent of total net position at June 30, 2014, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The other assets line includes \$1.2 million of cash and cash equivalents which is restricted for use in an energy efficiency project.

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

GASB Statement No. 65 requires that the excess of the reacquisition price of new debt over the net carrying value of refunded debt must be reported as a deferred outflow of resources. During the year ended June 30, 2014, the University issued \$9.655 million of bonds to refund the Series 2004 bonds. In connection with that transaction, the remaining deferred outflows relating to the Series 2004 bonds (\$589,000) were written off, while \$534,000 of deferred outflows was recorded relating to the Series 2014 bonds. The remaining change in the balance from year to year is the result of annual amortization of the original balances. There were no additions to deferred outflows of resources during the years ended June 30, 2013 and 2012.

#### ***Liabilities***

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

Noncurrent liabilities, comprised primarily of bonds payable and a capital lease obligation, decreased by \$3.1 million from June 30, 2013. This is attributable to principal payments on bonds and loans. In addition, the principal and original issue premium of the Series 2014 bonds issued was approximately \$50,000 less than the corresponding amounts of the refunded Series 2004 bonds.

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

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

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.

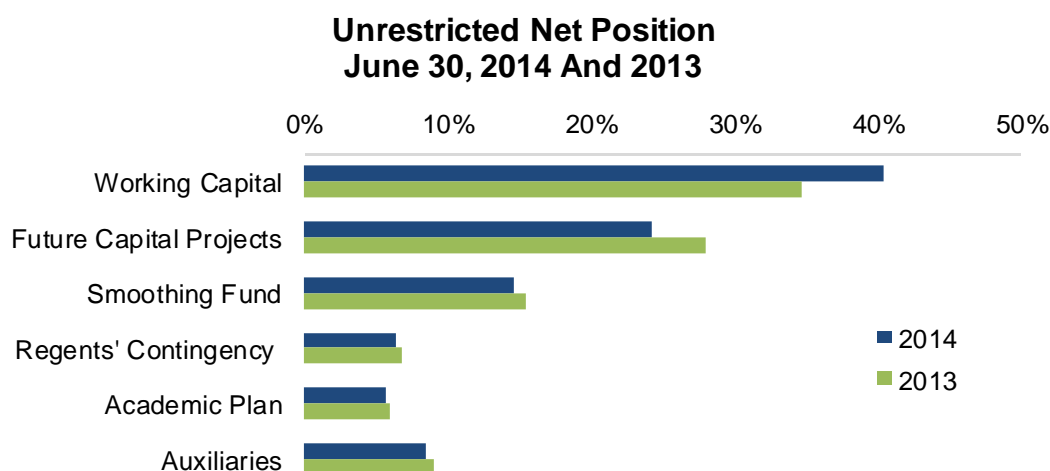
Expendable restricted net position is subject to externally-imposed restrictions governing its use. This category of net position includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by donors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

## WASHBURN UNIVERSITY OF TOPEKA

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

Although unrestricted net position is not subject to externally imposed stipulations, a portion of the University's unrestricted net position has been designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects and Regents' contingency. The following graph shows the allocations at June 30, 2014 and 2013:



The increase in the portion of unrestricted net position available for working capital purposes, as well as the decrease in the portion earmarked for future capital projects, is due to a lower level of transfers from "Future Capital Projects" to capital projects in fiscal 2014 compared to fiscal year 2013. The slight decrease in the "Smoothing Fund" allocation is the result of a transfer of \$400,000 for capital purposes, offset by sales tax receipts during the year in excess of the amount budgeted.

### **Fiscal Year 2013 Compared To Fiscal Year 2012**

Current assets, which consist primarily of cash and receivables, totaled \$52.4 million at June 30, 2013. Total current assets at June 30, 2013 covered current liabilities 4.3 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represented 42.4 percent of total net assets at June 30, 2013, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

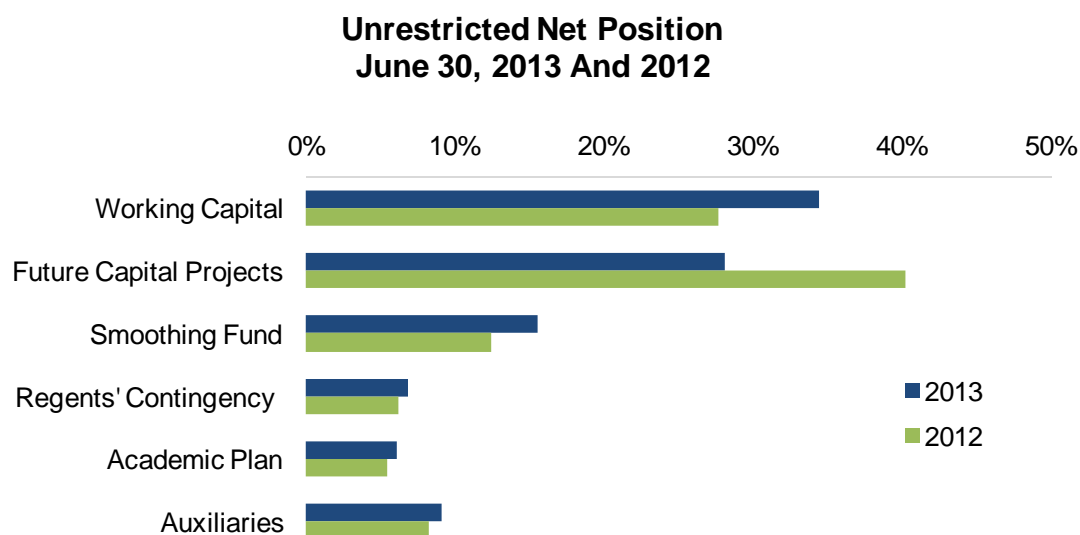
Restricted expendable net position is subject to externally imposed restrictions governing their use. This category of net position includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by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

## WASHBURN UNIVERSITY OF TOPEKA

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

Although unrestricted net position is not subject to externally imposed stipulations, a portion of the University's unrestricted net position has been designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects and Regents' contingency. The following graph shows the allocations at June 30, 2013 and 2012:



The increase in the portion of unrestricted net position available for working capital purposes and the decrease in the portion earmarked for future capital projects are both the result of transfers from "Future Capital Projects" to capital projects during fiscal 2013. The increase in the "Smoothing Fund" allocation is the result of sales tax receipts during the year in excess of the amount budgeted.

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

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

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

## WASHBURN UNIVERSITY OF TOPEKA

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

One of the University's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the years ended June 30, 2014, 2013 and 2012.

#### **Condensed Statement Of Revenues, Expenses And Changes In Net Position For The Years Ended June 30, 2014, 2013 And 2012**

|   | <u>2014</u>           | <u>2013</u>           | <u>2012</u>           |
|---|-----------------------|-----------------------|-----------------------|
| Operating revenues                        | \$ 39,105,052         | \$ 39,118,066         | \$ 40,144,258         |
| Operating expenses                        | 103,903,680           | 104,199,342           | 96,341,028            |
|   | (64,798,628)          | (65,081,276)          | (56,196,770)          |
| <u>Nonoperating revenues and expenses</u> | <u>74,426,004</u>     | <u>77,270,539</u>     | <u>57,735,860</u>     |
| Income before other revenues              | 9,627,376             | 12,189,263            | 1,539,090             |
| <u>Other revenues</u>                     | <u>855,431</u>        | <u>377,239</u>        | <u>1,452,704</u>      |
| Increase in net position                  | 10,482,807            | 12,566,502            | 2,991,794             |
| <u>Net position at beginning of year</u>  | <u>163,940,885</u>    | <u>151,374,383</u>    | <u>148,382,589</u>    |
| <u>Net position at end of year</u>        | <u>\$ 174,423,692</u> | <u>\$ 163,940,885</u> | <u>\$ 151,374,383</u> |

#### **Fiscal Year 2014 Compared To Fiscal Year 2013**

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of \$10.5 million during the year ended June 30, 2014 compared to an increase of \$12.6 million during fiscal year 2013. Some highlights of the information provided in these statements follow.

#### **Revenues**

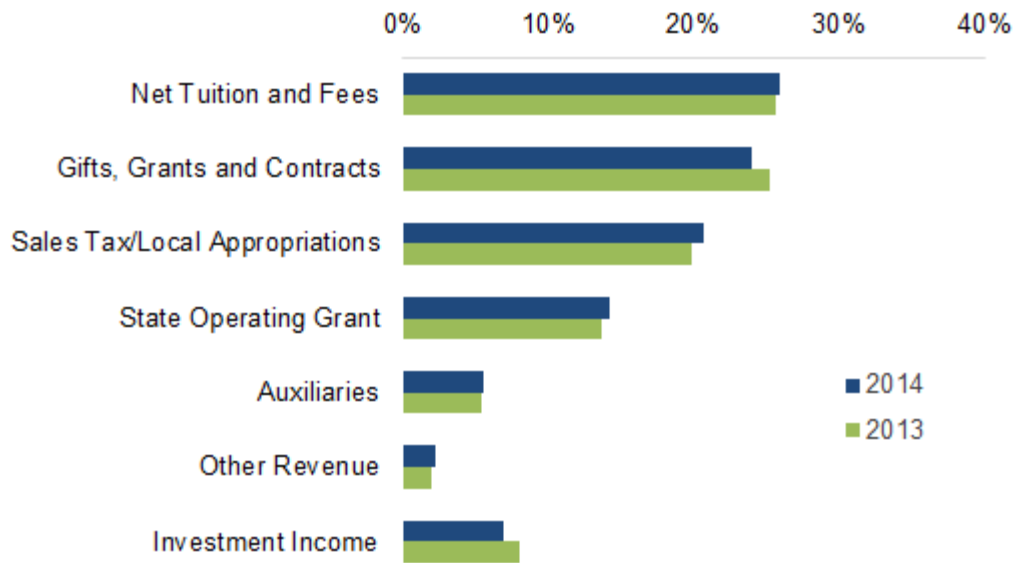
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2014 and 2013.

# WASHBURN UNIVERSITY OF TOPEKA

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## Management's Discussion And Analysis (Continued)

### Revenues By Source Years Ended June 30, 2014 And 2013



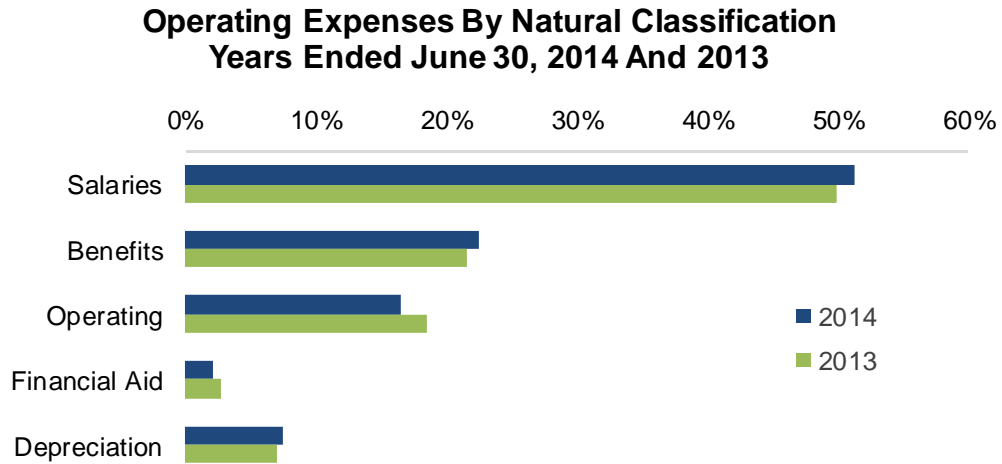
Sales tax/local appropriations and the state operating grant comprise 35.2 percent of the University's revenue for the year ended June 30, 2014 compared to 33.6 percent for the year ended June 30, 2013. The next largest revenue source was net tuition and fees, comprising 26.2 percent of revenue for the year ended June 30, 2014 compared to 25.7 percent for the year ended June 30, 2013. Excluding investment income, sales tax/local appropriations and the state operating grants account for 37.9 percent of revenue in fiscal year 2014, compared to 36.5 percent in fiscal year 2013, while net tuition and fees represent 28.3 percent of revenue, compared to 28.0 percent in the prior fiscal year.

# WASHBURN UNIVERSITY OF TOPEKA

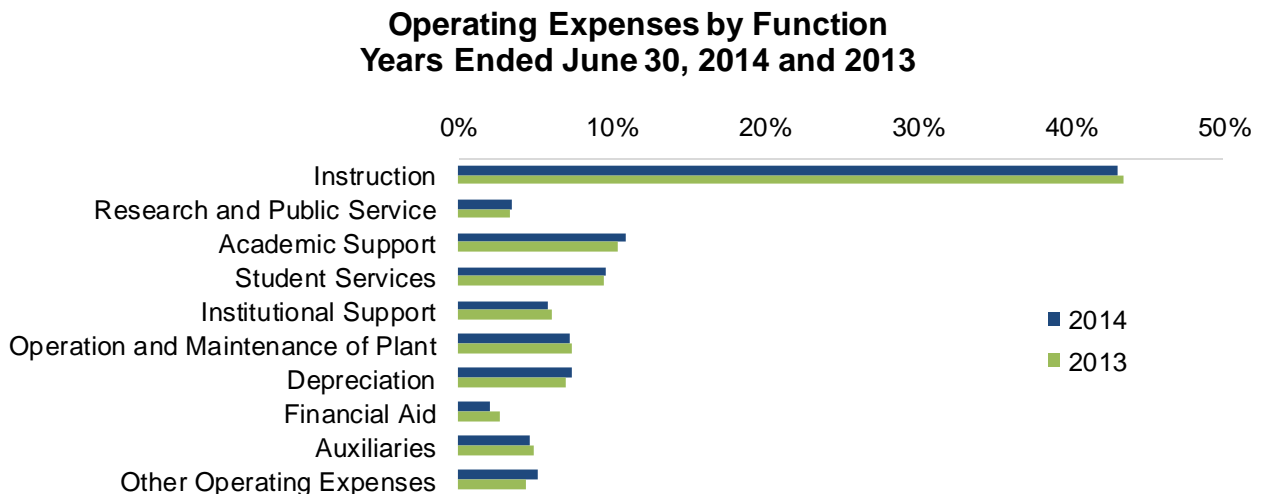
## Management's Discussion And Analysis (Continued)

### Expenses

Operating expenses in both natural (object) classification and functional classification are graphically displayed for the years ended June 30, 2014 and 2013.



Salaries and benefits comprise 73.9 percent of expenses by natural classification for the year ended June 30, 2014 compared to 71.6 percent for the year ended June 30, 2013. Operating expenses represent 16.5 percent of total expenses for the year ended June 30, 2014 compared to 18.5 percent for the year ended June 30, 2013. Financial aid and depreciation represent the remaining 9.6 percent of expenses for the year ended June 30, 2014 compared to 9.9 percent for the year ended June 30, 2013.





# WASHBURN UNIVERSITY OF TOPEKA

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

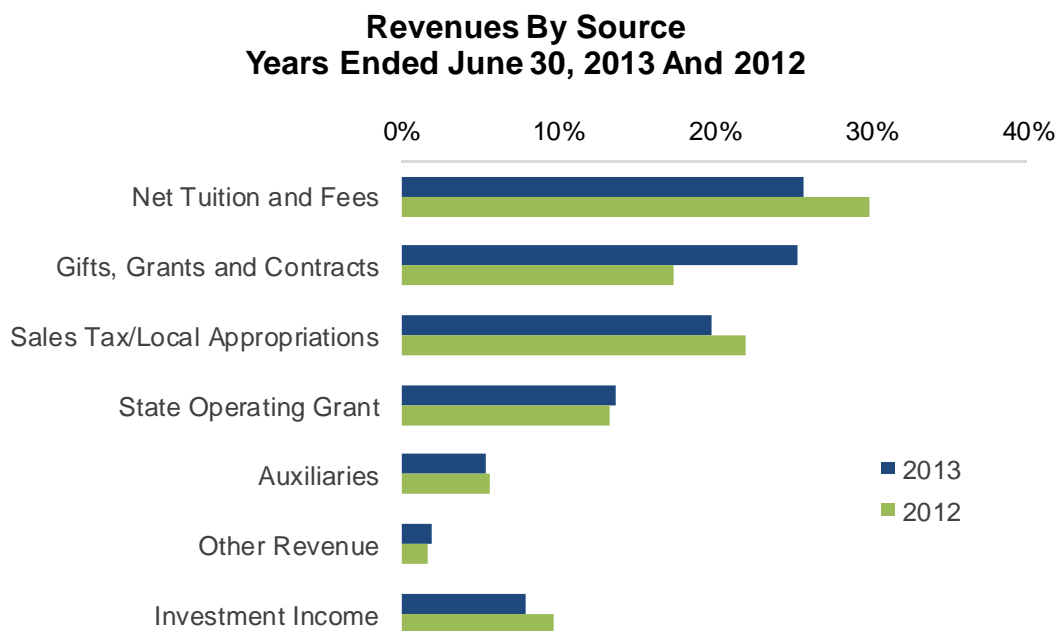
Instruction expenses accounted for 43.1 percent of operating expenses by function for the year ended June 30, 2014 compared to 43.5 percent for the year ended June 30, 2013. The percentages for the remaining operating expenses by functional area range from 11.0 percent for academic support to 2.1 percent for financial aid for the year ended June 30, 2014 compared to 10.5 percent for academic support to 2.8 percent for financial aid for the year ended June 30, 2013.

### Fiscal Year 2013 Compared To Fiscal Year 2012

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of \$12.6 million during the year ended June 30, 2013 compared to an increase of \$3.0 million during fiscal year 2012. Some highlights of the information provided in these statements follow.

#### Revenues

The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2013 and 2012.



Sales tax/local appropriations and the state operating grant comprise 33.6 percent of the University's revenue for the year ended June 30, 2013 compared to 37.1 percent for the year ended June 30, 2012. The next largest revenue source was net tuition and fees, comprising 25.6 percent of revenue for the year ended June 30, 2013 compared to 31.8 percent for the year ended June 30, 2012. Excluding investment income, sales tax/local appropriations and the state operating grants account for 36.5 percent of revenue in fiscal year 2013, compared to 38.4 percent in fiscal year 2012, while net tuition and fees represent 28.0 percent of revenue, compared to 32.8 percent in the prior fiscal year.

## WASHBURN UNIVERSITY OF TOPEKA

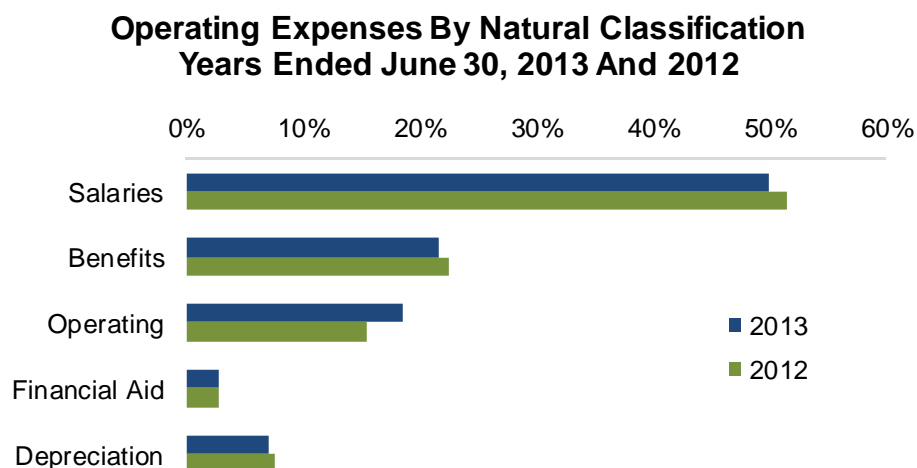
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### Management's Discussion And Analysis (*Continued*)

The University continues efforts to enhance its revenue base, along with pursuing cost containment initiatives. This is necessary as the University continues to face reduced governmental appropriation and tax revenue, increased compensation and benefit costs, and volatile technology and energy prices.

#### Expenses

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2013 and 2012.



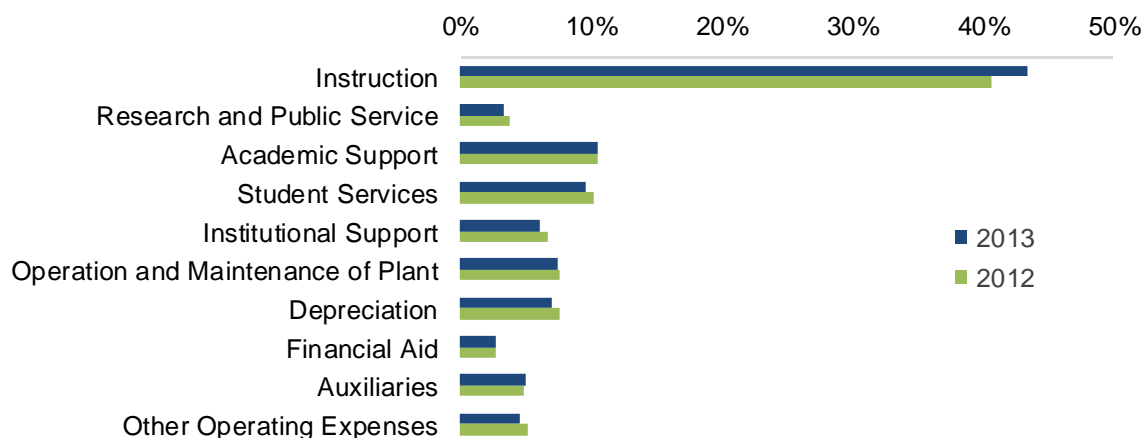
Salaries and benefits comprise 71.7 percent of expenses by natural classification for the year ended June 30, 2013 compared to 74.2 percent for the year ended June 30, 2012. Operating expenses represent 18.4 percent of total expenses for the year ended June 30, 2013 compared to 15.5 percent for the year ended June 30, 2012. Financial aid and depreciation represent the remaining 9.9 percent of expenses for the year ended June 30, 2013 compared to 10.3 percent for the year ended June 30, 2012.

## WASHBURN UNIVERSITY OF TOPEKA

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

#### Operating Expenses by Function Years Ended June 30, 2013 and 2012



Operating expenses by function indicate 43.5 percent is attributable to instruction for the year ended June 30, 2013 compared to 40.7 percent for the year ended June 30, 2012. The percentages for the remaining operating expenses by functional area range from 10.5 percent for academic support to 2.8 percent for financial aid for the year ended June 30, 2013 compared to 10.6 percent for academic support to 2.7 percent for financial aid for the year ended June 30, 2012.

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

#### Statement Of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. 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 the acquisition, construction and financing of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

## WASHBURN UNIVERSITY OF TOPEKA

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

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

#### Condensed Statement Of Cash Flows For The Years Ended June 30, 2014, 2013 And 2012

|  | 2014            | 2013            | 2012            |
|--|-----------------|-----------------|-----------------|
| Cash provided by (used by):              |                 |                 |                 |
| Operating activities                     | \$ (58,408,973) | \$ (59,672,606) | \$ (46,639,380) |
| Noncapital financing activities          | 59,717,860      | 65,704,739      | 56,931,811      |
| Capital and related financing activities | (14,950,048)    | (4,955,083)     | (9,945,572)     |
| Investing activities                     | 4,892,761       | 5,216,058       | 10,996,730      |
| Net increase (decrease) in cash          | (8,748,400)     | 6,293,108       | 11,343,589      |
| Cash - beginning of year                 | 46,962,543      | 40,669,435      | 29,325,846      |
| Cash - end of year                       | \$ 38,214,143   | \$ 46,962,543   | \$ 40,669,435   |

#### Fiscal Year 2014 Compared To Fiscal Year 2013

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

The cash position of the University decreased by approximately \$8.7 million for the fiscal year ended June 30, 2014 compared to an increase of approximately \$6.3 million for the fiscal year ended June 30, 2013.

#### Fiscal Year 2013 Compared To Fiscal Year 2012

Significant sources of cash each year included sales tax revenues, the state operating grant and tuition and fees. In fiscal year 2013, a capital lease used to finance an energy efficiency project provided \$10 million of restricted cash; in fiscal year 2012, investment maturities provided \$7 million of cash. Significant uses of cash were for payments to suppliers and vendors, payments to employees (including benefits), payments for scholarships and fellowships, capital assets and purchases of investments.

Overall the cash position of the University increased by approximately \$6.3 million for the fiscal year ended June 30, 2013 compared to an increase of approximately \$11.3 million for the fiscal year ended June 30, 2012.

#### **Capital Asset And Debt Administration**

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

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

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

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

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

The University made significant investments in capital assets during fiscal years 2014 and 2013. At June 30, 2014, the University had \$101.8 million invested in capital assets, net of accumulated depreciation, compared to \$93.7 million and \$87.8 million at June 30, 2013 and 2012, respectively. Depreciation charges totaled \$7.8 million for the fiscal year ended June 30, 2014 compared to \$7.4 million and \$7.3 million for the fiscal years ended June 30, 2013 and 2012, respectively.

## WASHBURN UNIVERSITY OF TOPEKA

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

Details of these assets are as follows:

#### Condensed Statement Of Capital Assets, Net Of Depreciation For The Years Ended June 30, 2014, 2013 And 2012

|  | 2014                  | 2013                 | 2012                 |
|--|-----------------------|----------------------|----------------------|
| Land                                       | \$ 1,444,104          | \$ 1,444,104         | \$ 1,444,104         |
| Buildings, improvements and infrastructure | 69,488,399            | 69,642,644           | 69,388,360           |
| Furniture, fixtures and equipment          | 8,645,545             | 9,265,465            | 7,320,643            |
| Computers and electronic equipment         | 1,731,581             | 2,018,025            | 2,099,280            |
| Books and collections                      | 1,098,776             | 892,961              | 1,028,055            |
| Broadcasting tower, antenna and equipment  | 1,544,260             | 1,602,448            | 1,733,845            |
| Vehicles                                   | 631,835               | 126,826              | 122,147              |
| Works of art and historical treasures      | 2,571,714             | 2,975,953            | 2,976,353            |
| Construction in progress                   | 14,256,961            | 5,773,532            | 1,673,724            |
|  | <u>\$ 101,413,175</u> | <u>\$ 93,741,958</u> | <u>\$ 87,786,511</u> |

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

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

Major University capital additions during the fiscal year ended June 30, 2013 included HVAC system upgrades, completed portions of the energy efficiency project, and humidity and temperature controls at Mulvane Art Museum. At Washburn Tech, major additions include completed portions of the energy efficiency project.

The major projects classified as construction in progress at June 30, 2013 were the energy efficiency project, construction projects relating to Morgan Hall and the School of Law, and remodeling of the automotive program instructional spaces at Washburn Tech.

During fiscal 2010, KTWU received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009 (fiscal year 2010). The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The current interest rate is 0.21%, and will reset on February 1, 2015. Annual debt service is funded via KTWU's general fund budget.

## WASHBURN UNIVERSITY OF TOPEKA

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

#### **Debt**

At June 30, 2014, the University had \$28.9 million in outstanding debt compared to \$31.3 million at June 30, 2013 and \$23.0 million at June 30, 2012. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

#### **Outstanding Debt Schedule As Of June 30, 2014, 2013 And 2012**

|                                | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          |
|--------------------------------|----------------------|----------------------|----------------------|
| <b>Bonds</b>                   |                      |                      |                      |
| Series 2004                    | \$ —                 | \$ 10,695,000        | \$ 11,425,000        |
| Series 2010                    | 9,550,000            | 10,575,000           | 11,575,000           |
| Series 2014                    | 9,655,000            | —                    | —                    |
| <b>Total Bonds</b>             | <u>19,205,000</u>    | <u>21,270,000</u>    | <u>23,000,000</u>    |
| <b>Capital Lease Liability</b> | <u>9,432,488</u>     | <u>10,000,000</u>    | <u>—</u>             |
| <b>Total Outstanding Debt</b>  | <u>\$ 28,637,488</u> | <u>\$ 31,270,000</u> | <u>\$ 23,000,000</u> |

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

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

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

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

# WASHBURN UNIVERSITY OF TOPEKA

## Management's Discussion And Analysis (Continued)

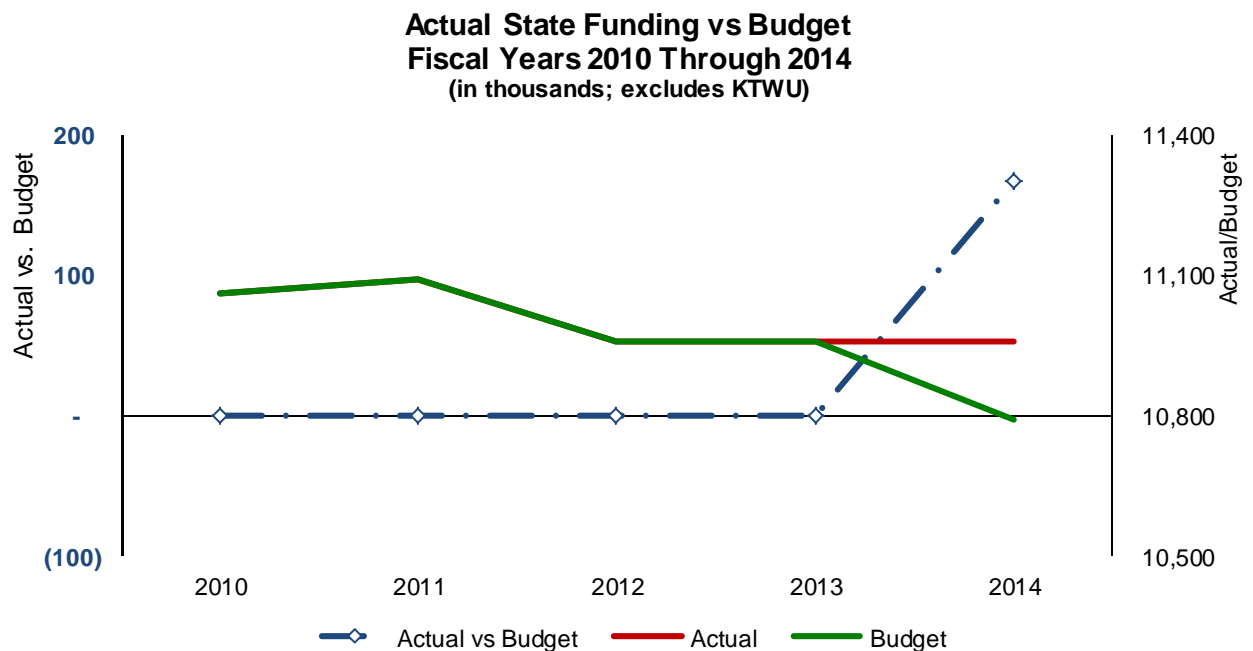
### Economic Outlook

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

### State Operating Grant

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

Excluding KTWU, actual state funding received declined each year from fiscal year 2008 through fiscal year 2010, inched upwards by a few thousand dollars in fiscal year 2011, then dropped again in fiscal 2012. Funding for fiscal years 2013 and 2014 was level with fiscal 2012.



In response to this trend, the University extended its annual budget cycle in order to get more timely information relating to state funding. As the chart above shows, the extended budget cycle has resulted in actual state appropriations equaling or exceeding budgeted appropriations. Anticipating additional state budget cuts, the fiscal year 2010 budget reflected an 11.6% decline from the prior year's budget, and a decline of 7.7% from the actual fiscal 2009 appropriation.



## WASHBURN UNIVERSITY OF TOPEKA

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

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

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

Although the possibility exists of a mid-year budget cut, due to the state of Kansas seeing a tax revenue budget shortfall, the University has budgeted the same state appropriation for fiscal year 2015 as was received in fiscal 2014. Due to the uncertainty surrounding state funding, the University continues to aggressively explore cost-reduction options, as well as possible revenue enhancements.

KTWU, the University's PBS-affiliated television station, was hit harder by state budget cuts than the University as a whole. From fiscal year 2008 through fiscal 2011, KTWU received between \$200,000 and \$300,000 per year in state funding. In fiscal 2012, state funding dropped to zero, and only \$54,000 was later restored for fiscal years 2013 and 2014. This loss of state funding has been made up through a combination of other revenue sources, primarily increased fundraising from the public, and expense reductions.

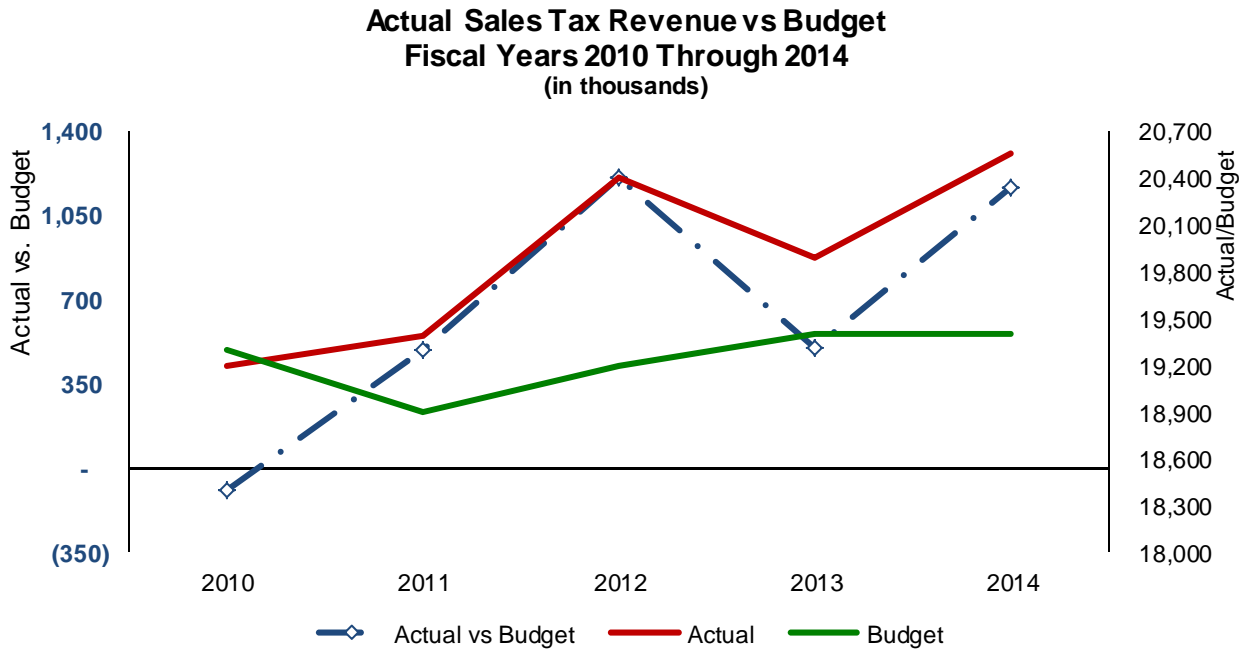
#### ***Sales Taxes***

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

# WASHBURN UNIVERSITY OF TOPEKA

## Management's Discussion And Analysis (Continued)

The chart below shows the budgeted and actual sales tax revenues for fiscal years 2010 through 2014.



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

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

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

## WASHBURN UNIVERSITY OF TOPEKA

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

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

With the uncertainty about state funding, and lingering questions about the strength of the economy, the University has chosen to remain conservative in budgeting sales tax revenues. Sales taxes for fiscal 2015 have been budgeted at the same level as the two previous fiscal years, even though each of the past four fiscal years have exceeded budget. Should state funding be cut further, the University anticipates its conservative budgeting of sales tax revenue will help absorb the reduction.

#### ***Tuition***

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

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

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

The University's Board of Regents approved a 4.6% increase in the base tuition rate for fiscal year 2015. Reflecting a loss of student credit hours in fiscal 2014, the fiscal 2015 budget also contemplates a 3.7% decline in credit hours relative to the prior year's budget. The combined effect of these changes is an increase of 1.56% in budgeted tuition revenue compared to the fiscal 2014 budget, and an increase of 8.9% over actual fiscal 2014 tuition revenue.

## **WASHBURN UNIVERSITY OF TOPEKA**

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

Recognizing the distinct possibility of additional state funding reductions during fiscal year 2015, the chance for continued economic uncertainty and to guard against declines in credit hours, the University continues to explore cost-reduction measures and possible revenue enhancements.

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

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

#### **Other Information**

On July 1, 2008, the University and Kaw Area Technical School (now known as Washburn Institute of Technology, or "Washburn Tech") were formally affiliated. Governance functions previously performed by the Board of Education of the Topeka Public Schools passed to the University's Board of Regents at that time. Certain administrative functions, such as facilities services and information services, are performed for Washburn Tech by the University and billed to Washburn Tech on a fee-for-services basis.

#### **Requests For Information**

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

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF NET POSITION

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### Assets And Deferred Outflows Of Resources

|  | June 30,           |                    |
|--|--------------------|--------------------|
|  | 2014               | 2013               |
| <b>Current Assets</b>  |                    |                    |
| Cash and cash equivalents  | \$ 37,030,874      | \$ 39,271,258      |
| Short-term investments   | 46,000             | 46,000             |
| Taxes receivable   | 3,806,175          | 3,782,772          |
| Accounts receivable, net of allowance of \$1,513,882 and<br>\$1,263,944 in 2014 and 2013, respectively | 7,157,260          | 6,369,761          |
| Receivable from Washburn University Foundation   | 1,099,961          | 550,817            |
| Other current receivables  | 300,000            | 300,000            |
| Inventories  | 1,067,718          | 830,319            |
| Other assets   | 1,231,986          | 1,211,950          |
| <b>Total Current Assets</b>  | <b>51,739,974</b>  | <b>52,362,877</b>  |
| <b>Noncurrent Assets</b>   |                    |                    |
| Restricted cash and cash equivalents   | 1,183,269          | 7,691,285          |
| Perkins loans receivable   | 832,226            | 847,337            |
| Receivable from Washburn University Foundation   | 36,764,998         | 34,046,680         |
| Equity in the net assets of Washburn University Foundation   | 23,324,517         | 16,846,358         |
| Endowment investments  | 259,803            | 245,442            |
| Prepaid insurance costs  | 50,287             | 129,488            |
| Capital assets, net  | 101,413,175        | 93,741,958         |
| <b>Total Noncurrent Assets</b>   | <b>163,828,275</b> | <b>153,548,548</b> |
| <b>Total Assets</b>  | <b>215,568,249</b> | <b>205,911,425</b> |
| <b>Deferred Outflows Of Resources</b>  |                    |                    |
| Excess of bond reacquisition costs over carrying value   | 658,440            | 821,364            |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF NET POSITION

Page 2 Of 2

### Liabilities And Net Position

|  | June 30,              |                       |
|--|-----------------------|-----------------------|
|  | 2014                  | 2013                  |
| <b>Current Liabilities</b>                         |                       |                       |
| Accounts payable and accrued liabilities           | \$ 8,262,807          | \$ 6,006,331          |
| Accrued compensated absences, current portion      | 1,573,559             | 1,560,319             |
| Unearned revenue                                   | 1,288,218             | 1,449,885             |
| Capital lease obligation, current portion          | 580,333               | 567,512               |
| Loans payable, current portion                     | 57,168                | 56,772                |
| Loan with Kansas Board of Regents, current portion | 425,625               | 425,625               |
| Building revenue bonds, current portion            | 1,910,000             | 1,785,000             |
| Deposits held in custody for others                | 228,526               | 368,416               |
| <b>Total Current Liabilities</b>                   | <b>14,326,236</b>     | <b>12,219,860</b>     |
| <b>Noncurrent Liabilities</b>                      |                       |                       |
| Accrued compensated absences                       | 258,041               | 256,298               |
| Accrued postemployment benefits                    | 87,752                | 140,767               |
| Capital lease obligation                           | 8,852,155             | 9,432,488             |
| Loans payable                                      | 206,847               | 264,015               |
| Loan with Kansas Board of Regents                  | 425,625               | 851,250               |
| Building revenue bonds                             | 17,646,341            | 19,627,226            |
| <b>Total Noncurrent Liabilities</b>                | <b>27,476,761</b>     | <b>30,572,044</b>     |
| <b>Total Liabilities</b>                           | <b>41,802,997</b>     | <b>42,791,904</b>     |
| <b>Net Position</b>                                |                       |                       |
| Net investment in capital assets                   | 72,508,045            | 69,586,768            |
| Restricted   |                       |                       |
| Nonexpendable                                      |                       |                       |
| Endowments   | 33,374,041            | 30,617,879            |
| Expendable   |                       |                       |
| Scholarships, tuition and other                    | 24,127,250            | 18,365,827            |
| Loans  | 1,242,701             | 1,295,350             |
| Self-insurance                                     | 5,512,155             | 4,777,780             |
| Capital projects                                   | 6,352,000             | 6,471,666             |
| Debt service                                       | (607,869)             | 2,444,612             |
| Other  | 3,887,474             | 3,812,651             |
| Unrestricted                                       | 28,027,895            | 26,568,352            |
| <b>Total Net Position</b>                          | <b>\$ 174,423,692</b> | <b>\$ 163,940,885</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

### Assets

|   | June 30,              |                       |
|---|-----------------------|-----------------------|
|   | 2014                  | 2013                  |
| <b>Assets</b>   |                       |                       |
| Cash and cash equivalents   | \$ 2,319,627          | \$ 1,614,738          |
| Investments   | 163,833,273           | 145,637,665           |
| Bequests receivable   | 151,956               | 905,000               |
| Pledges receivable  | 9,104,870             | 5,768,330             |
| Accrued investment income receivable  | 40,819                | 41,648                |
| Beneficial interests in trusts  | 9,327,785             | 9,364,695             |
| Furniture and equipment, net of accumulated depreciation of<br>\$268,225 and \$237,724 in 2014 and 2013, respectively | 97,121                | 106,032               |
| <b>Total Assets</b>   | <b>\$ 184,875,451</b> | <b>\$ 163,438,108</b> |

### Liabilities And Net Assets

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>Liabilities</b>   |                       |                       |
| Accounts payable and accrued liabilities                                   | \$ 460,407            | \$ 369,622            |
| Due to Washburn University of Topeka                                       | 1,099,962             | 550,116               |
| Charitable gift liabilities  | 395,180               | 440,941               |
| Funds managed on behalf of Washburn University of Topeka                   | 36,764,998            | 34,046,680            |
| Funds managed on behalf of Washburn Law School<br>Foundation School of Law | 8,316,966             | 7,875,685             |
| <b>Total Liabilities</b>   | <b>47,037,513</b>     | <b>43,283,044</b>     |
| <b>Net Assets</b>  |                       |                       |
| Unrestricted   | 13,307,256            | 10,470,521            |
| Temporarily restricted   | 57,804,017            | 45,971,596            |
| Permanently restricted   | 66,726,665            | 63,712,947            |
| <b>Total Net Assets</b>  | <b>137,837,938</b>    | <b>120,155,064</b>    |
| <b>Total Liabilities And Net Assets</b>                                    | <b>\$ 184,875,451</b> | <b>\$ 163,438,108</b> |

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# WASHBURN UNIVERSITY OF TOPEKA

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## STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

### Assets

|  | <b>June 30,</b>     |                     |
|--|---------------------|---------------------|
|  | <b>2014</b>         | <b>2013</b>         |
| Investments held at Washburn University Foundation | <b>\$ 8,316,966</b> | <b>\$ 7,875,685</b> |

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### Liabilities And Net Assets

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Net Assets</b>                       |                     |                     |
| Unrestricted                            | <b>\$ 2,856,900</b> | <b>\$ 2,598,350</b> |
| Temporarily restricted                  | <b>400,407</b>      | <b>303,723</b>      |
| Permanently restricted                  | <b>5,059,659</b>    | <b>4,973,612</b>    |
| <b>Total Net Assets</b>                 | <b>8,316,966</b>    | <b>7,875,685</b>    |
|   |                     |                     |
| <b>Total Liabilities And Net Assets</b> | <b>\$ 8,316,966</b> | <b>\$ 7,875,685</b> |

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**WASHBURN UNIVERSITY OF TOPEKA**

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

**Page 1 Of 2**

|  | <b>For The Years<br/>Ended June 30,</b> |               |
|--|---|---------------|
|  | <b>2014</b>                             | <b>2013</b>   |
| <b>Operating Revenues</b>  |   |               |
| Tuition and fees (net of scholarship allowances of \$17,636,334 and \$16,824,358 in 2014 and 2013, respectively)   | <b>\$ 30,581,487</b>                    | \$ 30,441,778 |
| Federal grants and contracts   | <b>575</b>                              | 4,023         |
| State and local grants and contracts   | <b>—</b>                                | 33,559        |
| Sales and services of educational departments  | <b>1,320,174</b>                        | 1,416,448     |
| Auxiliary enterprises  |   |               |
| Residential living (net of scholarship allowances of \$239,535 and \$229,148 in 2014 and 2013, respectively; revenues are used as security for revenue bonds Series 2010 and 2014) | <b>2,537,647</b>                        | 2,590,995     |
| Memorial Union (revenues are used as security for revenue bonds Series 2010)   | <b>3,890,450</b>                        | 3,752,238     |
| Other operating revenues   | <b>774,719</b>                          | 879,025       |
| <b>Total Operating Revenues</b>  | <b>39,105,052</b>                       | 39,118,066    |
| <b>Operating Expenses</b>  |   |               |
| Educational and general  |   |               |
| Instruction  | <b>44,733,173</b>                       | 45,261,071    |
| Research   | <b>132,649</b>                          | 159,430       |
| Public service   | <b>3,548,484</b>                        | 3,410,797     |
| Academic support   | <b>11,436,825</b>                       | 10,933,042    |
| Student services   | <b>10,123,638</b>                       | 9,970,977     |
| Institutional support  | <b>6,091,947</b>                        | 6,392,874     |
| Operation and maintenance of plant   | <b>7,608,425</b>                        | 7,772,404     |
| Depreciation   | <b>7,811,884</b>                        | 7,427,816     |
| Financial aid  | <b>2,155,978</b>                        | 2,945,121     |
| Auxiliary enterprises  |   |               |
| Residential living   | <b>1,122,266</b>                        | 1,244,862     |
| Memorial union   | <b>3,709,889</b>                        | 3,988,877     |
| Self-insurance claims, net of premiums   | <b>5,428,522</b>                        | 4,692,071     |
| <b>Total Operating Expenses</b>  | <b>103,903,680</b>                      | 104,199,342   |
| <b>Operating Loss</b>  | <b>(64,798,628)</b>                     | (65,081,276)  |

**WASHBURN UNIVERSITY OF TOPEKA**

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

**Page 2 Of 2**

|   | For The Years<br>Ended June 30, |                        |
|---|---------------------------------|------------------------|
|   | 2014                            | 2013                   |
| <b>Nonoperating Revenues (Expenses)</b>           |                                 |                        |
| State appropriations                              | \$ 16,772,838                   | \$ 16,190,244          |
| Local appropriations                              | 24,254,890                      | 23,504,969             |
| Federal grants and contracts                      | 17,523,675                      | 23,306,493             |
| State and local grants and contracts              | 845,445                         | 1,625,091              |
| Nongovernmental grants and contracts              | 165,893                         | 135,621                |
| Gifts   | 8,724,091                       | 4,553,930              |
| Investment income                                 | 8,223,334                       | 9,456,117              |
| Interest on indebtedness                          | (909,227)                       | (916,867)              |
| Other nonoperating expenses                       | (1,174,935)                     | (585,059)              |
| <b>Net Nonoperating Revenues</b>                  | <b>74,426,004</b>               | <b>77,270,539</b>      |
| <br><b>Income Before Other Revenues</b>           | <br><b>9,627,376</b>            | <br><b>12,189,263</b>  |
| <br><b>Capital Grants And Gifts - Non-Federal</b> | <br><b>307,290</b>              | <br><b>279,389</b>     |
| <br><b>Additions To Permanent Endowments</b>      | <br><b>548,141</b>              | <br><b>97,850</b>      |
| <b>Increase In Net Position</b>                   | <b>10,482,807</b>               | <b>12,566,502</b>      |
| <br><b>Net Position - Beginning Of Year</b>       | <br><b>163,940,885</b>          | <br><b>151,374,383</b> |
| <b>Net Position - End Of Year</b>                 | <b>\$ 174,423,692</b>           | <b>\$ 163,940,885</b>  |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES - WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2014

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                 |
|--|----------------------|---------------------------|---------------------------|-----------------------|
| <b>Support And Revenues</b>  |                      |                           |                           |                       |
| Support  |                      |                           |                           |                       |
| Contributions  | \$ 1,584,596         | \$ 8,145,986              | \$ 2,298,164              | \$ 12,028,746         |
| Change in beneficial interest  | —                    | 539,429                   | 313,669                   | 853,098               |
| <b>Total support</b>   | <b>1,584,596</b>     | <b>8,685,415</b>          | <b>2,611,833</b>          | <b>12,881,844</b>     |
| Revenues   |                      |                           |                           |                       |
| Investment income  | 2,296,878            | 12,165,627                | 174,078                   | 14,636,583            |
| Administration   | 1,189,478            | —                         | —                         | 1,189,478             |
| Events   | 119,885              | —                         | —                         | 119,885               |
| Other  | 107,223              | 38,578                    | (19,205)                  | 126,596               |
| <b>Total revenues</b>  | <b>3,713,464</b>     | <b>12,204,205</b>         | <b>154,873</b>            | <b>16,072,542</b>     |
| Net assets released from restrictions  | 6,961,673            | (6,961,673)               | —                         | —                     |
| <b>Total Support And Revenue</b>   | <b>12,259,733</b>    | <b>13,927,947</b>         | <b>2,766,706</b>          | <b>28,954,386</b>     |
| <b>Expenses</b>  |                      |                           |                           |                       |
| Program services   | 6,743,592            | —                         | —                         | 6,743,592             |
| Management and general   | 1,825,253            | —                         | —                         | 1,825,253             |
| Fundraising  | 2,702,667            | —                         | —                         | 2,702,667             |
| <b>Total Expenses</b>  | <b>11,271,512</b>    | <b>—</b>                  | <b>—</b>                  | <b>11,271,512</b>     |
| <b>Excess Of Revenues Over Expenses</b>  | <b>988,221</b>       | <b>13,927,947</b>         | <b>2,766,706</b>          | <b>17,682,874</b>     |
| <b>Net Interfund Transfer Related To Market<br/>Values Of Endowed Funds Below Original<br/>Donor Contributions</b> | <b>1,938,865</b>     | <b>(1,938,865)</b>        | <b>—</b>                  | <b>—</b>              |
| <b>Other Fund Transfers, Net</b>   | <b>(90,351)</b>      | <b>(156,661)</b>          | <b>247,012</b>            | <b>—</b>              |
| <b>Change In Net Assets</b>  | <b>2,836,735</b>     | <b>11,832,421</b>         | <b>3,013,718</b>          | <b>17,682,874</b>     |
| <b>Net Assets - Beginning Of Year</b>  | <b>10,470,521</b>    | <b>45,971,596</b>         | <b>63,712,947</b>         | <b>120,155,064</b>    |
| <b>Net Assets - End Of Year</b>  | <b>\$ 13,307,256</b> | <b>\$ 57,804,017</b>      | <b>\$ 66,726,665</b>      | <b>\$ 137,837,938</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2014

|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
|--|---------------------|------------------------|------------------------|---------------------|
| <b>Support And Revenues</b>  |                     |                        |                        |                     |
| Contributions  | \$ 123,759          | \$ 50,811              | \$ 44,657              | \$ 219,227          |
| Return on investments  | 482,819             | 724,026                | 17,307                 | 1,224,152           |
| Nongift and other income   | 17,762              | 1,500                  | 6,725                  | 25,987              |
| Net assets released from restriction   | 376,582             | (376,582)              | —                      | —                   |
| <b>Total Support And Revenues</b>  | <b>1,000,922</b>    | <b>399,755</b>         | <b>68,689</b>          | <b>1,469,366</b>    |
| <b>Expenses</b>  |                     |                        |                        |                     |
| Program expenses   |                     |                        |                        |                     |
| Scholarships   | 692,915             | —                      | —                      | 692,915             |
| General support of Law School  | 87,546              | —                      | —                      | 87,546              |
| Management and general   | 247,624             | —                      | —                      | 247,624             |
| <b>Total Expenses</b>  | <b>1,028,085</b>    | <b>—</b>               | <b>—</b>               | <b>1,028,085</b>    |
| <b>Excess (Deficit) Of Revenues Over Expenses</b>  | <b>(27,163)</b>     | <b>399,755</b>         | <b>68,689</b>          | <b>441,281</b>      |
| <b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b> | <b>303,071</b>      | <b>(303,071)</b>       | <b>—</b>               | <b>—</b>            |
| <b>Other Interfund Transfers, Net</b>  | <b>(17,358)</b>     | <b>—</b>               | <b>17,358</b>          | <b>—</b>            |
| <b>Change In Net Assets</b>  | <b>258,550</b>      | <b>96,684</b>          | <b>86,047</b>          | <b>441,281</b>      |
| <b>Net Assets - Beginning Of Year</b>  | <b>2,598,350</b>    | <b>303,723</b>         | <b>4,973,612</b>       | <b>7,875,685</b>    |
| <b>Net Assets - End Of Year</b>  | <b>\$ 2,856,900</b> | <b>\$ 400,407</b>      | <b>\$ 5,059,659</b>    | <b>\$ 8,316,966</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2013

|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total                 |
|--|---------------------|------------------------|------------------------|-----------------------|
| <b>Support And Revenues</b>  |                     |                        |                        |                       |
| Support  |                     |                        |                        |                       |
| Contributions  | \$ 1,988,785        | \$ 5,723,201           | \$ 2,448,028           | \$ 10,160,014         |
| Change in beneficial interest  | —                   | 867,559                | 316,799                | 1,184,358             |
| <b>Total support</b>   | <b>1,988,785</b>    | <b>6,590,760</b>       | <b>2,764,827</b>       | <b>11,344,372</b>     |
| Revenues   |                     |                        |                        |                       |
| Investment income  | 1,755,240           | 8,773,202              | 169,747                | 10,698,189            |
| Administration   | 1,149,624           | —                      | —                      | 1,149,624             |
| Events   | 125,625             | —                      | —                      | 125,625               |
| Other  | (350)               | 51,940                 | (14,822)               | 36,768                |
| <b>Total revenues</b>  | <b>3,030,139</b>    | <b>8,825,142</b>       | <b>154,925</b>         | <b>12,010,206</b>     |
| Net assets released from restrictions  | 6,580,863           | (6,580,863)            | —                      | —                     |
| <b>Total Support And Revenue</b>   | <b>11,599,787</b>   | <b>8,835,039</b>       | <b>2,919,752</b>       | <b>23,354,578</b>     |
| <b>Expenses</b>  |                     |                        |                        |                       |
| Program services   | 6,354,519           | —                      | —                      | 6,354,519             |
| Management and general   | 1,658,089           | —                      | —                      | 1,658,089             |
| Fundraising  | 2,498,554           | —                      | —                      | 2,498,554             |
| <b>Total Expenses</b>  | <b>10,511,162</b>   | <b>—</b>               | <b>—</b>               | <b>10,511,162</b>     |
| <b>Excess Of Revenues Over Expenses</b>  | <b>1,088,625</b>    | <b>8,835,039</b>       | <b>2,919,752</b>       | <b>12,843,416</b>     |
| <b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b> | <b>1,229,917</b>    | <b>(1,229,917)</b>     | <b>—</b>               | <b>—</b>              |
| <b>Other Fund Transfers, Net</b>   | <b>(90,297)</b>     | <b>(103,893)</b>       | <b>194,190</b>         | <b>—</b>              |
| <b>Change In Net Assets</b>  | <b>2,228,245</b>    | <b>7,501,229</b>       | <b>3,113,942</b>       | <b>12,843,416</b>     |
| <b>Net Assets - Beginning Of Year</b>  | <b>8,242,276</b>    | <b>38,470,367</b>      | <b>60,599,005</b>      | <b>107,311,648</b>    |
| <b>Net Assets - End Of Year</b>  | <b>\$10,470,521</b> | <b>\$ 45,971,596</b>   | <b>\$ 63,712,947</b>   | <b>\$ 120,155,064</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2013

|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               |
|--|---------------------|------------------------|------------------------|---------------------|
| <b>Support And Revenues</b>  |                     |                        |                        |                     |
| Contributions  | \$ 115,194          | \$ 4,850               | \$ 38,707              | \$ 158,751          |
| Return on investments  | 398,555             | 563,951                | 16,961                 | 979,467             |
| Nongift and other income   | 27,079              | 500                    | 7,000                  | 34,579              |
| Net assets released from restriction   | 661,571             | (661,571)              | —                      | —                   |
| <b>Total Support And Revenues</b>  | <b>1,202,399</b>    | <b>(92,270)</b>        | <b>62,668</b>          | <b>1,172,797</b>    |
| <b>Expenses</b>  |                     |                        |                        |                     |
| Program expenses   |                     |                        |                        |                     |
| Scholarships   | 611,810             | —                      | —                      | 611,810             |
| General support of Law School  | 393,271             | —                      | —                      | 393,271             |
| Management and general   | 247,545             | —                      | —                      | 247,545             |
| <b>Total Expenses</b>  | <b>1,252,626</b>    | <b>—</b>               | <b>—</b>               | <b>1,252,626</b>    |
| <b>Excess (Deficit) Of Revenues Over Expenses</b>  | <b>(50,227)</b>     | <b>(92,270)</b>        | <b>62,668</b>          | <b>(79,829)</b>     |
| <b>Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions</b> | <b>197,633</b>      | <b>(197,633)</b>       | <b>—</b>               | <b>—</b>            |
| <b>Other Interfund Transfers, Net</b>  | <b>13,276</b>       | <b>(24,776)</b>        | <b>11,500</b>          | <b>—</b>            |
| <b>Change In Net Assets</b>  | <b>160,682</b>      | <b>(314,679)</b>       | <b>74,168</b>          | <b>(79,829)</b>     |
| <b>Net Assets - Beginning Of Year</b>  | <b>2,437,668</b>    | <b>618,402</b>         | <b>4,899,444</b>       | <b>7,955,514</b>    |
| <b>Net Assets - End Of Year</b>  | <b>\$ 2,598,350</b> | <b>\$ 303,723</b>      | <b>\$ 4,973,612</b>    | <b>\$ 7,875,685</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF CASH FLOWS

Page 1 Of 2

|  | For The Years        |                      |
|--|----------------------|----------------------|
|  | Ended June 30,       |                      |
|  | 2014                 | 2013                 |
| <b>Cash Flows From Operating Activities</b>                      |                      |                      |
| Tuition and fees   | \$ 30,074,474        | \$ 30,079,433        |
| Grants and contracts   | 13,075               | 25,082               |
| Auxiliary enterprise charges                                     |                      |                      |
| Residential Living   | 2,505,949            | 2,573,045            |
| Memorial Union   | 3,595,789            | 3,883,117            |
| Sales and services of educational departments                    | 1,308,931            | 1,399,628            |
| Collection of loans issued to students                           | 142,633              | 180,807              |
| Other receipts   | 229,197              | 851,753              |
| Self-insurance premiums  | 349,219              | 405,638              |
| Payments to suppliers  | (19,722,428)         | (23,309,448)         |
| Payments to employees  | (67,449,231)         | (65,720,227)         |
| Payments for scholarships and fellowships                        | (2,155,978)          | (2,945,121)          |
| Loans issued to students   | (152,299)            | (252,931)            |
| Payments for self-insurance claims and administrative fees       | (7,148,304)          | (6,843,382)          |
| <b>Net Cash Used In Operating Activities</b>                     | <b>(58,408,973)</b>  | <b>(59,672,606)</b>  |
| <b>Cash Flows From Investing Activities</b>                      |                      |                      |
| Interest on investments  | 4,892,761            | 5,216,058            |
| <b>Net Cash Provided By Investing Activities</b>                 | <b>4,892,761</b>     | <b>5,216,058</b>     |
| <b>Cash Flows From Noncapital Financing Activities</b>           |                      |                      |
| State appropriations   | 16,772,838           | 16,190,244           |
| Local appropriations   | 24,231,487           | 23,328,048           |
| Gifts and grants for other than capital purposes                 | 19,866,213           | 26,145,275           |
| Federal Family Education loan receipts                           | 40,520,917           | 52,864,979           |
| Federal Family Education loan disbursements                      | (41,541,226)         | (52,861,791)         |
| Endowment assets transferred to outside management               | —                    | (109,023)            |
| Agency account transactions                                      | (132,369)            | 147,007              |
| <b>Net Cash Provided By Noncapital Financing Activities</b>      | <b>59,717,860</b>    | <b>65,704,739</b>    |
| <b>Cash Flows From Capital And Related Financing Activities</b>  |                      |                      |
| Proceeds from issuance of debt                                   | 7,284                | —                    |
| Issue costs paid on debt   | (66,675)             | —                    |
| Proceeds from capital lease                                      | —                    | 10,000,000           |
| Capital grants and gifts received                                | 228,087              | 67,493               |
| Purchase of capital assets                                       | (11,258,498)         | (11,953,228)         |
| Principal paid on capital loans                                  | (482,397)            | (482,016)            |
| Principal paid on capital lease                                  | (557,978)            | —                    |
| Principal paid on long-term debt                                 | (1,785,000)          | (1,730,000)          |
| Interest paid on long-term debt                                  | (1,034,871)          | (857,332)            |
| <b>Net Cash Used In Capital And Related Financing Activities</b> | <b>(14,950,048)</b>  | <b>(4,955,083)</b>   |
| <b>Increase (Decrease) In Cash And Cash Equivalents</b>          | <b>(8,748,400)</b>   | <b>6,293,108</b>     |
| <b>Cash And Cash Equivalents - Beginning Of Year</b>             | <b>46,962,543</b>    | <b>40,669,435</b>    |
| <b>Cash And Cash Equivalents - End Of Year</b>                   | <b>\$ 38,214,143</b> | <b>\$ 46,962,543</b> |

See the accompanying report letter and notes to financial statements.

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# WASHBURN UNIVERSITY OF TOPEKA

## STATEMENTS OF CASH FLOWS

Page 2 Of 2

|  | For The Years          |                        |
|--|------------------------|------------------------|
|  | Ended June 30,         |                        |
|  | 2014                   | 2013                   |
| <b>Reconciliation Of Operating Loss To Net Cash</b>                                  |                        |                        |
| <b>Used In Operating Activities</b>  |                        |                        |
| Operating loss   | \$ (64,798,628)        | \$ (65,081,276)        |
| Adjustments to reconcile operating loss to net cash used<br>in operating activities: |                        |                        |
| Depreciation   | 7,811,884              | 7,427,816              |
| Provision for uncollectible accounts receivable                                      | 208,216                | 433,268                |
| Write-off of Perkins loans   | 26,849                 | 32,702                 |
| Changes in assets and liabilities:   |                        |                        |
| Receivables, net   | (735,449)              | (856,026)              |
| Inventories  | (237,399)              | 68,649                 |
| Receivables from Washburn University Foundation                                      | 40                     | (80)                   |
| Other assets   | (568,259)              | 156,126                |
| Perkins loans receivable   | (10,441)               | (76,167)               |
| Accounts payable   | 93,914                 | (1,861,007)            |
| Compensated absences   | 14,982                 | 207,557                |
| Postemployment benefits  | (53,015)               | (121,307)              |
| Unearned revenue   | (161,667)              | (2,861)                |
| <b>Net Cash Used In Operating Activities</b>   | <b>\$ (58,408,973)</b> | <b>\$ (59,672,606)</b> |
| <b>Noncash Investing And Financing Transactions</b>                                  |                        |                        |
| Change in fair value of investments  | \$ 2,619,247           | \$ 1,429,234           |
| Refunding of Series 2004 bonds   | 9,935,000              | —                      |
| Bond issuance costs reducing proceeds of capital debt                                | 55,516                 | —                      |
| Endowment assets transferred to outside management                                   | 5,461                  | 21,322                 |
| Capitalization of interest   | 237,472                | 56,660                 |
| Capital gifts  | 5,000                  | 80,920                 |
| Capital additions included in accounts payable                                       | 2,827,546              | 953,801                |



# WASHBURN UNIVERSITY OF TOPEKA

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014 And 2013

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

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

#### **Reporting Entity**

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

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

#### **Component Units**

The University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, on July 1, 2012. In accordance with GASB No. 61, as well as GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the University has identified three component units to be included in the accompanying financial statements. Because the University's Board of Regents is also the governing body of Washburn Tech, and because the University's management has operational responsibility for Washburn Tech, the financial statements present the University and Washburn Tech as a blended entity. The University's discretely-presented component units are reported in separate basic financial statements to emphasize that they are legally separate from the University. References in these financial statements and notes to "the University" refer to the blended entity unless otherwise noted.

**Discretely-Presented Component Units**

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

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

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

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

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

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

## WASHBURN UNIVERSITY OF TOPEKA

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

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

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

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

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

#### **Cash Equivalents**

The University considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

#### **Accounts Receivable**

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

#### **Inventories**

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

**Investments**

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

**Bond Issuance Costs**

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

**Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. The University capitalizes interest on the construction of capital assets when material. The amount of interest capitalized was \$237,472 and \$56,660 for the years ended June 30, 2014 and 2013, respectively.

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

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

## WASHBURN UNIVERSITY OF TOPEKA

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

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

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

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

### **Unearned Revenue**

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

### **Compensated Absences**

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

### **Other Postemployment Benefits**

Certain current and retired Washburn Tech employees are participants in the Topeka Public Schools (TPS) early retirement plan. The University assumed the liability for postemployment benefits of these employees at the time of the affiliation with Washburn Tech. Because the amount of the assumed liability is not available from TPS, the University calculated its liability of \$87,752 and \$140,767 at June 30, 2014 and 2013, respectively, using the alternative measurement method allowed by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, using demographic information provided by TPS. For purposes of applying GASB No. 45, the early retirement plan is treated as if it is a single-employer plan with fewer than 100 employees.

### **Net Position**

The University's net position is classified as follows:

#### Net Investment in Capital Assets

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

#### Restricted Net Position - Nonexpendable

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

#### Restricted Net Position - Expendable

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

#### Unrestricted Net Position

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

### **Property Taxes**

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

### **Income Taxes**

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

**Use Of Estimates**

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

**Reclassifications**

Certain 2013 amounts have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on total net position.

**2. Budgetary Information**

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the years ended June 30, 2014 or 2013.

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

# WASHBURN UNIVERSITY OF TOPEKA

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## Notes to Financial Statements *(Continued)*

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

### 3. Cash And Investments

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

#### Deposits

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

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

The University had no bank balances exposed to custodial credit risk at June 30, 2014 or 2013.

At June 30, 2014 and 2013, the University had the following short-term investments (which have an original maturity date of one year or less):

|                         | <u>2014</u> | <u>2013</u> |
|-------------------------|-------------|-------------|
| Certificates of deposit | \$ 46,000   | \$ 46,000   |

At June 30, 2014 and 2013, \$1,183,269 and \$7,691,285, respectively, of cash deposited in an escrow account was restricted for use in a capital project. This balance is included in restricted cash and cash equivalents on the statements of net position.

#### Investments

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



## WASHBURN UNIVERSITY OF TOPEKA

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

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2014 and 2013. The University currently does not maintain a formal investment policy that addresses interest rate or credit risks. However, management believes the University has complied with the State of Kansas' statutes and regulations regarding investment activity.

Endowment investments reported by the University at June 30, 2014 and 2013 consisted of the following:

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| Preferred stocks, carried at fair value<br>(cost of \$0 for 2014 and 2013)   | \$ 150            | \$ 150            |
| Mutual funds, carried at fair value<br>(cost of \$217,742 for 2014 and 2013) | <u>259,653</u>    | <u>245,292</u>    |
|  | <u>\$ 259,803</u> | <u>\$ 245,442</u> |

Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's mutual funds are due in less than one year. Credit risk is the risk that the University will not recover its investments due to the ability of the counterparty to fulfill their obligation. As of June 30, 2014, the mutual funds were unrated.

The University also maintains deposits with the State of Kansas Municipal Investment Pool (KMIP) throughout the year. Deposits in the amount of \$26,584,134 and \$32,502,248 in 2014 and 2013, respectively, were held in the KMIP Overnight Municipal Investment Pool (OMIP). Deposits in the OMIP are invested nightly by the KMIP in a transaction similar to a repurchase agreement with a bank. The University does not have securities specifically listed in its name as part of its participation in the OMIP, and money can be withdrawn without penalty daily. The KMIP is included within the Kansas Pooled Money Investment Portfolio, which is rated AAA by Standard & Poor's.

## WASHBURN UNIVERSITY OF TOPEKA

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

#### 4. Receivable From Washburn University Foundation

Receivables from the Foundation consist of the University's participation in the investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of the Foundation's investments is recorded as a receivable from the Foundation. Receivables from the Foundation consisted of the following items held by the Foundation as of June 30, 2014 and 2013:

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Contributions for scholarships and other activities                       | \$ 1,420,244         | \$ 1,402,725         |
| Held pledges receivable   | 20,434               | 24,076               |
| Bequests receivable   | —                    | 400,000              |
| Restricted endowment income   | 1,664,224            | 1,706,799            |
| Unreimbursed operating expenses of the Foundation due to the University   | 1,099,961            | 550,817              |
| University endowment funds managed by the Foundation (see activity below) | <u>33,660,096</u>    | <u>30,513,080</u>    |
|   | <u>\$ 37,864,959</u> | <u>\$ 34,597,497</u> |

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

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Current receivable from Washburn University Foundation    | \$ 1,099,961         | \$ 550,817           |
| Noncurrent receivable from Washburn University Foundation | <u>36,764,998</u>    | <u>34,046,680</u>    |
|   | <u>\$ 37,864,959</u> | <u>\$ 34,597,497</u> |

## WASHBURN UNIVERSITY OF TOPEKA

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

The University has transferred to the Washburn University Foundation certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Foundation. The activity of these assets at June 30, 2014 and 2013 and for the years then ended is as follows:

|   | <u>2014</u>          | <u>2013</u>   |
|---|----------------------|---------------|
| Beginning principal transferred               | \$ <b>23,364,886</b> | \$ 23,364,886 |
| Post-transfer additions, beginning of year    | <b>3,146,067</b>     | 2,378,720     |
| Charitable remainder trust assets transferred | <b>8,611</b>         | 21,498        |
| Earnings added to corpus during the year      | <b>161,206</b>       | 647,999       |
| Gifts received during the year                | <b>548,141</b>       | 97,850        |
| End of year, at cost                          | <b>27,228,911</b>    | 26,510,953    |
| Cumulative net unrealized gains               | <b>6,431,185</b>     | 4,002,127     |
| End of year, at fair value                    | <b>\$ 33,660,096</b> | \$ 30,513,080 |

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

Contributions for specific capital projects, scholarships and other activities are being held and invested by the Foundation until the University requests the funds be transferred to the University. The University had a claim on the net assets of the Foundation in the amount of \$23,324,517 and \$16,846,358 as of June 30, 2014 and 2013, respectively.

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### 6. Capital Assets

The following is a summary of capital assets for the years ended June 30, 2014 and 2013:

|  | 2014                         |               |              |   |                               |
|--|------------------------------|---------------|--------------|---|-------------------------------|
|  | Balance -<br>July 1,<br>2013 | Additions     | Retirements  | Construction<br>In Progress<br>Placed<br>In Service | Balance -<br>June 30,<br>2014 |
| Capital assets, not being depreciated          |                              |               |              |   |                               |
| Land   | \$ 1,444,104                 | \$ —          | \$ —         | \$ —  | \$ 1,444,104                  |
| Works of art and historical<br>treasures       | 2,975,953                    | 5,000         | (409,239)    | —   | 2,571,714                     |
| Construction in progress                       | 5,773,532                    | 13,105,940    | —            | (4,622,511)   | 14,256,961                    |
| Total capital assets,<br>not being depreciated | 10,193,589                   | 13,110,940    | (409,239)    | (4,622,511)   | 18,272,779                    |
| Capital assets, being depreciated              |                              |               |              |   |                               |
| Buildings, improvements<br>and infrastructure  | 13,174,064                   | 4,542,332     | —            | —   | 13,628,396                    |
| Furniture, fixtures and equipment              | 24,402,592                   | 1,055,784     | (183,862)    | —   | 25,274,514                    |
| Computers and electronic<br>equipment          | 16,112,731                   | 557,444       | (123,788)    | —   | 16,546,387                    |
| Books and collections                          | 19,902,045                   | 592,578       | —            | —   | 20,494,623                    |
| Broadcasting tower, antenna<br>and equipment   | 8,300,054                    | 96,848        | (73,651)     | —   | 8,323,251                     |
| Vehicles                                       | 844,100                      | 580,352       | (9,339)      | —   | 1,415,113                     |
| Total capital assets,<br>being depreciated     | 201,303,586                  | 7,425,338     | (390,640)    | —   | 208,338,284                   |
| Less accumulated depreciation for              |                              |               |              |   |                               |
| Buildings, improvements<br>and infrastructure  | (62,099,420)                 | (4,696,577)   | —            | —   | (66,795,997)                  |
| Furniture, fixtures and equipment              | (15,137,127)                 | (1,656,703)   | 164,861      | —   | (16,628,969)                  |
| Computers and electronic<br>equipment          | (14,094,706)                 | (843,905)     | 123,805      | —   | (14,814,806)                  |
| Books and collections                          | (19,009,084)                 | (386,763)     | —            | —   | (19,395,847)                  |
| Broadcasting tower, antenna<br>and equipment   | (6,697,606)                  | (155,035)     | 73,650       | —   | (6,778,991)                   |
| Vehicles                                       | (717,274)                    | (72,901)      | 6,897        | —   | (783,278)                     |
| Total accumulated depreciation                 | (117,755,217)                | (7,811,884)   | 369,213      | —   | (125,197,888)                 |
| Total capital assets being<br>depreciated, net | 83,548,369                   | (386,546)     | (21,427)     | —   | 83,140,396                    |
| Total capital assets                           | \$ 93,741,958                | \$ 12,724,394 | \$ (430,666) | \$ (4,622,511)                                      | \$ 101,413,175                |

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

|  | 2013                         |              |             |   |                               |
|--|------------------------------|--------------|-------------|---|-------------------------------|
|  | Balance -<br>July 1,<br>2012 | Additions    | Retirements | Construction<br>In Progress<br>Placed<br>In Service | Balance -<br>June 30,<br>2013 |
| Capital assets, not being depreciated          |                              |              |             |   |                               |
| Land   | \$ 1,444,104                 | \$ —         | \$ —        | \$ —  | \$ 1,444,104                  |
| treasures                                      | 2,976,353                    | —            | (400)       | —   | 2,975,953                     |
| Construction in progress                       | 1,673,724                    | 6,586,701    | —           | (2,486,893)   | 5,773,532                     |
| Total capital assets,<br>not being depreciated | 6,094,181                    | 6,586,701    | (400)       | (2,486,893)   | 10,193,589                    |
| Capital assets, being depreciated              |                              |              |             |   |                               |
| Buildings, improvements<br>and infrastructure  | 127,116,825                  | 4,625,239    | —           | —   | 131,742,064                   |
| Furniture, fixtures and equipment              | 21,141,598                   | 3,418,049    | (157,055)   | —   | 24,402,592                    |
| Computers and electronic<br>equipment          | 15,495,690                   | 858,600      | (241,559)   | —   | 16,112,731                    |
| Books and collections                          | 19,607,372                   | 299,360      | (4,687)     | —   | 19,902,045                    |
| Broadcasting tower, antenna<br>and equipment   | 8,449,117                    | 45,006       | (194,069)   | —   | 8,300,054                     |
| Vehicles                                       | 841,294                      | 39,994       | (37,188)    | —   | 844,100                       |
| Total capital assets,<br>being depreciated     | 192,651,896                  | 9,286,248    | (634,558)   | —   | 201,303,586                   |
| Less accumulated depreciation for              |                              |              |             |   |                               |
| Buildings, improvements<br>and infrastructure  | (57,728,465)                 | (4,370,955)  | —           | —   | (62,099,420)                  |
| Furniture, fixtures and equipment              | (13,820,955)                 | (1,470,834)  | 154,662     | —   | (15,137,127)                  |
| Computers and electronic<br>equipment          | (13,396,410)                 | (939,855)    | 241,559     | —   | (14,094,706)                  |
| Books and collections                          | (18,579,317)                 | (434,454)    | 4,687       | —   | (19,009,084)                  |
| Broadcasting tower, antenna<br>and equipment   | (6,715,272)                  | (176,403)    | 194,069     | —   | (6,697,606)                   |
| Vehicles                                       | (719,147)                    | (35,315)     | 37,188      | —   | (717,274)                     |
| Total accumulated depreciation                 | (110,959,566)                | (7,427,816)  | 632,165     | —   | (117,755,217)                 |
| Total capital assets being<br>depreciated, net | 81,692,330                   | 1,858,432    | (2,393)     | —   | 83,548,369                    |
| Total capital assets                           | \$ 87,786,511                | \$ 8,445,133 | \$ (2,793)  | \$ (2,486,893)                                      | \$ 93,741,958                 |

The University had approximately \$2,316,000 and \$1,931,000, respectively, at June 30, 2014 and 2013 in commitments for building construction and other contracts.

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### 7. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2014 and 2013:

|                                       | Balance<br>July 1,<br>2013 | Additions     | Reductions    | Balance<br>June 30,<br>2014 | Current<br>Portion | Noncurrent<br>Portion |
|---------------------------------------|----------------------------|---------------|---------------|-----------------------------|--------------------|-----------------------|
| Bonds, capital leases and loans       |                            |               |               |                             |                    |                       |
| Building revenue bonds                | \$ 21,270,000              | \$ 9,655,000  | \$ 11,720,000 | \$ 19,205,000               | \$ 19,100,000      | \$ 17,295,000         |
| Capital lease                         | 10,000,000                 | —             | 567,512       | 9,432,488                   | 580,333            | 8,852,155             |
| Loans payable                         | 1,597,662                  | —             | 482,397       | 1,115,265                   | 482,793            | 632,472               |
| Total bonds, capital leases and loans | 32,867,662                 | 9,655,000     | 12,769,909    | 29,752,753                  | 2,973,126          | 26,779,627            |
| Other noncurrent liabilities          |                            |               |               |                             |                    |                       |
| Unamortized bond premium              | 42,226                     | 342,800       | 133,685       | 351,341                     | —                  | 351,341               |
| Compensated absences                  | 1,816,617                  | 14,983        | —             | 1,831,600                   | 1,573,559          | 258,041               |
| Postemployment benefits               | 140,767                    | 99,660        | 152,675       | 87,752                      | —                  | 87,752                |
| Total other noncurrent liabilities    | 2,099,610                  | 457,443       | 286,360       | 2,270,693                   | 1,573,559          | 697,134               |
| Total noncurrent liabilities          | \$ 34,967,272              | \$ 10,112,443 | \$ 13,056,269 | \$ 32,023,446               | \$ 4,546,685       | \$ 27,476,761         |

|                                       | Balance<br>July 1,<br>2012 | Additions     | Reductions   | Balance<br>June 30,<br>2013 | Current<br>Portion | Noncurrent<br>Portion |
|---------------------------------------|----------------------------|---------------|--------------|-----------------------------|--------------------|-----------------------|
| Bonds, capital leases and loans       |                            |               |              |                             |                    |                       |
| Building revenue bonds                | \$ 23,000,000              | \$ —          | \$ 1,730,000 | \$ 21,270,000               | \$ 1,785,000       | \$ 19,485,000         |
| Capital lease                         | —                          | 10,000,000    | —            | 10,000,000                  | 567,512            | 9,432,488             |
| Loans payable                         | 2,079,679                  | —             | 482,017      | 1,597,662                   | 482,397            | 1,115,265             |
| Total bonds, capital leases and loans | 25,079,679                 | 10,000,000    | 2,212,017    | 32,867,662                  | 2,834,909          | 30,032,753            |
| Other noncurrent liabilities          |                            |               |              |                             |                    |                       |
| Unamortized bond premium              | 161,011                    | —             | 18,785       | 142,226                     | —                  | 142,226               |
| Compensated absences                  | 1,609,061                  | 207,556       | —            | 1,816,617                   | 1,560,319          | 256,298               |
| Postemployment benefits               | 262,074                    | 145,723       | 267,030      | 140,767                     | —                  | 140,767               |
| Total other noncurrent liabilities    | 2,032,146                  | 353,279       | 285,815      | 2,099,610                   | 1,560,319          | 539,291               |
| Total noncurrent liabilities          | \$ 27,111,825              | \$ 10,353,279 | \$ 2,497,832 | \$ 34,967,272               | \$ 4,395,228       | \$ 30,572,044         |

### Building Revenue Bonds

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

The current refunding of the 2014 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$534,130, which is being amortized over the remaining life of the original bonds (through July 1, 2029). There was no amortization of this refunding cost during the year ended June 30, 2014.

## WASHBURN UNIVERSITY OF TOPEKA

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

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

#### Building Refunding Revenue Bonds - Series 2004

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

#### Refunding Revenue Bonds - Series 2010

The 2010 Series bonds consist of serial bonds due in annual principal payments ranging from \$495,000 to \$1,255,000 and mature between July 1, 2014 and July 1, 2023. The 2010 Series bonds bear interest at rates ranging from 2.15% to 3.70% payable semi-annually.

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

#### **Capital Lease**

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

Under the provisions of the lease, \$10,000,000 was placed into an escrow account held by the lessor. Cash in the escrow fund may be used only for expenditures relating to the energy efficiency project. Restricted cash of \$1,183,269 and \$7,691,285, respectively, is included in restricted cash and cash equivalents on the statement of net position on June 30, 2014 and 2013.

## WASHBURN UNIVERSITY OF TOPEKA

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

#### **Loans**

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

In fiscal year 2010, the University received \$3.4 million under this program. Bond proceeds were allocated to participating institutions through the Kansas Board of Regents (KBOR) in the form of interest-free loans from the state to finance approved infrastructure improvement projects. Principal and interest on the bonds is paid from the state's general fund; participating institutions reimburse the state for the principal payments each year. The University is required to pay \$425,625 per year for eight years under the terms of the loan; the initial annual payment was made in October 2009. The balance of the loan was \$851,250 and \$1,276,875 on June 30, 2014 and 2013, respectively.

##### Digital Television Equipment

During fiscal year 2009, the University received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009. The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The interest rate at June 30, 2014 and 2013 was 0.21% and 0.28%, respectively, and will reset on February 1, 2015. The balance of the loan was \$228,174 and \$273,809 on June 30, 2014 and 2013, respectively.

##### Other Equipment

During fiscal year 2012, Washburn Tech financed the purchase of equipment through a bank loan in the amount of \$64,149. The loan matures on February 17, 2017 and carries a fixed annual interest rate of 3.55%. Annual principal and interest payments are due on February 1, beginning in 2012. The loan is collateralized with a security interest in the purchased equipment. The balance of the loan was \$35,841 and \$46,978 on June 30, 2014 and 2013, respectively.



## WASHBURN UNIVERSITY OF TOPEKA

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

The annual requirements to repay all bonds, capital leases and loans outstanding at June 30, 2014, including interest payments, are as follows:

| <b>For The Year Ending June 30,</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|-------------------------------------|----------------------|---------------------|----------------------|
| 2015                                | \$ 2,973,126         | \$ 779,901          | \$ 3,753,027         |
| 2016                                | 3,026,645            | 725,774             | 3,752,419            |
| 2017                                | 2,659,850            | 667,019             | 3,326,869            |
| 2018                                | 2,706,193            | 605,350             | 3,311,543            |
| 2019                                | 2,785,211            | 539,385             | 3,324,596            |
| 2020-2024                           | 9,844,504            | 1,618,723           | 11,463,227           |
| 2025-2029                           | 5,757,224            | 479,330             | 6,236,554            |
|                                     | <b>\$ 29,752,753</b> | <b>\$ 5,415,482</b> | <b>\$ 35,168,235</b> |

## 8. Pension Plan

The University provides retirement benefits for substantially all employees through individual annuities with TIAA-CREF (the Plan). Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employee. The University contributes 10% of an employee's salary once the employee has one year of service at the University or any other institution that previously offered a TIAA-CREF plan. The employee's contribution into the Plan is at the discretion of the employee. Certain employees are required to contribute a fixed percentage to the Plan; the percentage is dependent on the employee's annual salary. The Plan cost to the University for the years ended June 30, 2014 and 2013 was approximately \$4,265,000 and \$4,254,000 (net of participant forfeitures of \$178,000 and \$19,000), respectively.

## 9. Risk Management

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

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

#### Self-Insurance Fund

The University has established a self-insurance fund for health insurance. The health insurance program began in October 2002 for all University employees. The health insurance fund is funded with contributions made during each payroll period from the University, its employees and retirees. The rates are based on past historical costs for individual and family coverage and expected future claims. The plan is administered by a third party, which accumulates claims. During 2014 and 2013, the maximum amount the University was responsible for was a \$100,000 stop loss limit per individual. Any expenses incurred above the maximum were reimbursed by the insurance company. The claims liability reported at June 30, 2014 and 2013 is based on the requirements of GASB Statement No 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The changes in health care claims payable for the years ended June 30, 2014 and 2013 are as follows:

|                                    | <u>2014</u>        | <u>2013</u>        |
|------------------------------------|--------------------|--------------------|
| Claims payable - beginning of year | \$ 180,714         | \$ 356,586         |
| Incurred claims                    | 6,472,825          | 5,209,439          |
| Claim payments                     | <u>(6,142,016)</u> | <u>(5,385,311)</u> |
| Claims payable - end of year       | <u>\$ 511,523</u>  | <u>\$ 180,714</u>  |

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

During the year ended June 30, 2013, the University received approximately \$1,606,000 of insurance recoveries relating to hail damage incurred in the prior year. This amount is included in other nonoperating expenses in the statement of revenues, expenses, and changes in net position.

## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

#### 10. Litigation

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

#### 11. Condensed Combining Statements

Condensed combining statements for the University and its blended component unit, Washburn Tech, are presented on the following pages for the years ended June 30, 2014 and 2013.

##### Condensed Combining Statements Of Net Position

June 30, 2014

|                                       | University            | Washburn<br>Tech     | Combined              |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| <b>Assets</b>                         |                       |                      |                       |
| Current assets                        | \$ 48,417,947         | \$ 3,322,027         | \$ 51,739,974         |
| Noncurrent assets                     | 155,832,072           | 7,996,203            | 163,828,275           |
| <b>Total Assets</b>                   | <b>204,250,019</b>    | <b>11,318,230</b>    | <b>215,568,249</b>    |
| <b>Deferred Outflows Of Resources</b> | <b>658,440</b>        | <b>—</b>             | <b>658,440</b>        |
| <b>Liabilities</b>                    |                       |                      |                       |
| Current liabilities                   | 13,857,668            | 468,568              | 14,326,236            |
| Noncurrent liabilities                | 27,190,466            | 286,295              | 27,476,761            |
| <b>Total Liabilities</b>              | <b>41,048,134</b>     | <b>754,863</b>       | <b>41,802,997</b>     |
| <b>Net Position</b>                   |                       |                      |                       |
| Net investment in capital assets      | 64,907,507            | 7,600,538            | 72,508,045            |
| Restricted - nonexpendable            | 33,374,041            | —                    | 33,374,041            |
| Restricted - expendable               | 40,241,643            | 272,068              | 40,513,711            |
| Unrestricted                          | 25,337,134            | 2,690,761            | 28,027,895            |
| <b>Total Net Position</b>             | <b>\$ 163,860,325</b> | <b>\$ 10,563,367</b> | <b>\$ 174,423,692</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Net Position June 30, 2013

|                                       | University            | Washburn<br>Tech     | Combined              |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| <b>Assets</b>                         |                       |                      |                       |
| Current assets                        | \$ 47,577,290         | \$ 4,785,587         | \$ 52,362,877         |
| Noncurrent assets                     | 146,642,761           | 6,905,787            | 153,548,548           |
| <b>Total Assets</b>                   | <b>194,220,051</b>    | <b>11,691,374</b>    | <b>205,911,425</b>    |
| <b>Deferred Outflows Of Resources</b> | <b>821,364</b>        | <b>—</b>             | <b>821,364</b>        |
| <b>Liabilities</b>                    |                       |                      |                       |
| Current liabilities                   | 11,292,522            | 927,338              | 12,219,860            |
| Noncurrent liabilities                | 30,322,098            | 249,946              | 30,572,044            |
| <b>Total Liabilities</b>              | <b>41,614,620</b>     | <b>1,177,284</b>     | <b>42,791,904</b>     |
| <b>Net Position</b>                   |                       |                      |                       |
| Net investment in capital assets      | 62,791,939            | 6,794,829            | 69,586,768            |
| Restricted - nonexpendable            | 30,617,879            | —                    | 30,617,879            |
| Restricted - expendable               | 37,137,873            | 30,013               | 37,167,886            |
| Unrestricted                          | 22,879,104            | 3,689,248            | 26,568,352            |
| <b>Total Net Position</b>             | <b>\$ 153,426,795</b> | <b>\$ 10,514,090</b> | <b>\$ 163,940,885</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Revenues, Expenses And Changes In Net Position For The Year Ended June 30, 2014

|   | University            | Washburn<br>Tech     | Combined              |
|---|-----------------------|----------------------|-----------------------|
| <b>Operating Revenues</b>               |                       |                      |                       |
| Tuition and fees                        | \$ 27,845,002         | \$ 2,736,485         | \$ 30,581,487         |
| Auxiliary enterprises                   | 6,428,097             | —                    | 6,428,097             |
| Other operating revenues                | 1,921,321             | 174,147              | 2,095,468             |
| <b>Total Operating Revenues</b>         | <b>36,194,420</b>     | <b>2,910,632</b>     | <b>39,105,052</b>     |
| <b>Operating Expenses</b>               |                       |                      |                       |
| Education and general                   | 73,678,181            | 9,996,960            | 83,675,141            |
| Depreciation                            | 6,741,802             | 1,070,082            | 7,811,884             |
| Financial aid                           | 364,563               | 1,791,415            | 2,155,978             |
| Auxiliary enterprises                   | 4,832,155             | —                    | 4,832,155             |
| Self-insurance claims, net of premiums  | 5,428,522             | —                    | 5,428,522             |
| <b>Total Operating Expenses</b>         | <b>91,045,223</b>     | <b>12,858,457</b>    | <b>103,903,680</b>    |
| <b>Operating Loss</b>                   | <b>(54,850,803)</b>   | <b>(9,947,825)</b>   | <b>(64,798,628)</b>   |
| <b>Nonoperating Revenues (Expenses)</b> |                       |                      |                       |
| State and local appropriations          | 35,442,132            | 5,585,596            | 41,027,728            |
| Grants and contracts                    | 15,047,646            | 3,487,367            | 18,535,013            |
| Gifts                                   | 8,544,805             | 179,286              | 8,724,091             |
| Investment income                       | 8,203,810             | 19,524               | 8,223,334             |
| Interest on indebtedness                | (905,839)             | (3,388)              | (909,227)             |
| Other nonoperating expenses             | (1,735,428)           | 560,493              | (1,174,935)           |
| <b>Total Nonoperating Revenues</b>      | <b>64,597,126</b>     | <b>9,828,878</b>     | <b>74,426,004</b>     |
| <b>Other Revenues</b>                   |                       |                      |                       |
| Capital grants and gifts                | 139,066               | 168,224              | 307,290               |
| Additions to permanent endowments       | 548,141               | —                    | 548,141               |
| <b>Total Other Revenues</b>             | <b>687,207</b>        | <b>168,224</b>       | <b>855,431</b>        |
| <b>Change In Net Position</b>           | <b>10,433,530</b>     | <b>49,277</b>        | <b>10,482,807</b>     |
| <b>Net Position - Beginning Of Year</b> | <b>153,426,795</b>    | <b>10,514,090</b>    | <b>163,940,885</b>    |
| <b>Net Position - End Of Year</b>       | <b>\$ 163,860,325</b> | <b>\$ 10,563,367</b> | <b>\$ 174,423,692</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Revenues, Expenses And Changes In Net Position For The Year Ended June 30, 2013

|   | University            | Washburn<br>Tech     | Combined              |
|---|-----------------------|----------------------|-----------------------|
| <b>Operating Revenues</b>               |                       |                      |                       |
| Tuition and fees                        | \$ 28,349,038         | \$ 2,092,740         | \$ 30,441,778         |
| Auxiliary enterprises                   | 6,343,233             | —                    | 6,343,233             |
| Other operating revenues                | 2,068,402             | 264,653              | 2,333,055             |
| <b>Total Operating Revenues</b>         | <b>36,760,673</b>     | <b>2,357,393</b>     | <b>39,118,066</b>     |
| <b>Operating Expenses</b>               |                       |                      |                       |
| Education and general                   | 75,403,958            | 8,496,637            | 83,900,595            |
| Depreciation                            | 6,784,915             | 642,901              | 7,427,816             |
| Financial aid                           | 1,528,476             | 1,416,645            | 2,945,121             |
| Auxiliary enterprises                   | 5,233,739             | —                    | 5,233,739             |
| Self-insurance claims, net of premiums  | 4,692,071             | —                    | 4,692,071             |
| <b>Total Operating Expenses</b>         | <b>93,643,159</b>     | <b>10,556,183</b>    | <b>104,199,342</b>    |
| <b>Operating Loss</b>                   | <b>(56,882,486)</b>   | <b>(8,198,790)</b>   | <b>(65,081,276)</b>   |
| <b>Nonoperating Revenues (Expenses)</b> |                       |                      |                       |
| State and local appropriations          | 34,786,405            | 4,908,808            | 39,695,213            |
| Grants and contracts                    | 18,029,693            | 7,037,512            | 25,067,205            |
| Gifts                                   | 4,495,743             | 58,187               | 4,553,930             |
| Investment income                       | 9,406,724             | 49,393               | 9,456,117             |
| Interest on indebtedness                | (914,817)             | (2,050)              | (916,867)             |
| Other nonoperating expenses             | (341,274)             | (243,785)            | (585,059)             |
| <b>Total Nonoperating Revenues</b>      | <b>65,462,474</b>     | <b>11,808,065</b>    | <b>77,270,539</b>     |
| <b>Other Revenues</b>                   |                       |                      |                       |
| Capital grants and gifts                | (279,018)             | 558,407              | 279,389               |
| Additions to permanent endowments       | 97,850                | —                    | 97,850                |
| <b>Total Other Revenues</b>             | <b>(181,168)</b>      | <b>558,407</b>       | <b>377,239</b>        |
| <b>Change In Net Position</b>           | <b>8,398,820</b>      | <b>4,167,682</b>     | <b>12,566,502</b>     |
| <b>Net Position - Beginning Of Year</b> | <b>145,027,975</b>    | <b>6,346,408</b>     | <b>151,374,383</b>    |
| <b>Net Position - End Of Year</b>       | <b>\$ 153,426,795</b> | <b>\$ 10,514,090</b> | <b>\$ 163,940,885</b> |

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

### Condensed Combining Statements Of Cash Flows For The Year Ended June 30, 2014

|   | University      | Washburn<br>Tech | Combined        |
|---|-----------------|------------------|-----------------|
| <b>Net Cash Provided (Used) By:</b>                         |                 |                  |                 |
| Operating Activities  | \$ (50,070,554) | \$ (8,338,419)   | \$ (58,408,973) |
| Investing Activities  | 4,965,922       | (73,161)         | 4,892,761       |
| Noncapital Financing Activities                             | 50,005,078      | 9,712,782        | 59,717,860      |
| Capital and Related Financing Activities                    | (13,709,390)    | (1,240,658)      | (14,950,048)    |
| <b>Increase (Decrease) In Cash And<br/>Cash Equivalents</b> | (8,808,944)     | 60,544           | (8,748,400)     |
| <b>Cash And Cash Equivalents -<br/>Beginning Of Year</b>    | 44,032,034      | 2,930,509        | 46,962,543      |
| <b>Cash And Cash Equivalents - End Of Year</b>              | \$ 35,223,090   | \$ 2,991,053     | \$ 38,214,143   |

### Condensed Combining Statements Of Cash Flows For The Year Ended June 30, 2013

|   | University      | Washburn<br>Tech | Combined        |
|---|-----------------|------------------|-----------------|
| <b>Net Cash Provided (Used) By:</b>                         |                 |                  |                 |
| Operating Activities  | \$ (51,313,643) | \$ (8,358,963)   | \$ (59,672,606) |
| Investing Activities  | 5,209,960       | 6,098            | 5,216,058       |
| Noncapital Financing Activities                             | 54,319,522      | 11,385,217       | 65,704,739      |
| Capital and Related Financing Activities                    | 29,475          | (4,984,558)      | (4,955,083)     |
| <b>Increase (Decrease) In Cash And<br/>Cash Equivalents</b> | 8,245,314       | (1,952,206)      | 6,293,108       |
| <b>Cash And Cash Equivalents -<br/>Beginning Of Year</b>    | 35,786,720      | 4,882,715        | 40,669,435      |
| <b>Cash And Cash Equivalents - End Of Year</b>              | \$ 44,032,034   | \$ 2,930,509     | \$ 46,962,543   |

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

### **Basis Of Presentation**

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

### **Fair Value Measurement**

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

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

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



## WASHBURN UNIVERSITY OF TOPEKA

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

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

#### **Investments**

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

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

#### **Pledges Receivable**

Pledges receivable include the following unconditional promises to give at June 30, 2014 and 2013:

|                                  | <u>2014</u>   | <u>2013</u>  |
|----------------------------------|---------------|--------------|
| Unrestricted                     | \$ 46,543     | \$ 53,324    |
| Temporarily restricted           | 11,086,756    | 8,064,512    |
| Permanently restricted           | 1,843,955     | 1,515,498    |
| Agency                           | 105,602       | 29,928       |
|                                  | <hr/>         | <hr/>        |
| Pledges receivable - end of year | \$ 13,082,856 | \$ 9,663,262 |

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

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

|   | <u>2014</u>         | <u>2013</u>         |
|---|---------------------|---------------------|
| Receivable in less than one year          | \$ 2,333,519        | \$ 1,085,258        |
| Receivable in one to five years           | 3,997,245           | 2,815,895           |
| Thereafter                                | 6,752,092           | 5,762,109           |
|   | <u>13,082,856</u>   | <u>9,663,262</u>    |
| Less: allowance for uncollectible pledges | 183,173             | 197,558             |
| Less: unamortized discount                | 3,794,813           | 3,697,374           |
|   | <u>9,104,870</u>    | <u>5,768,330</u>    |
| Pledges receivable - end of year          | <u>\$ 9,104,870</u> | <u>\$ 5,768,330</u> |

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

|                                       | <u>2014</u>         | <u>2013</u>         |
|---------------------------------------|---------------------|---------------------|
| Pledges receivable, beginning         | \$ 5,768,330        | \$ 4,112,163        |
| New pledges                           | 6,411,968           | 4,565,308           |
| Pledge payments                       | (2,859,715)         | (1,979,084)         |
| Pledges written off                   | (63,842)            | (186,037)           |
| Reclassifications and change in value | (151,871)           | (744,020)           |
|                                       | <u>9,104,870</u>    | <u>5,768,330</u>    |
| Pledges receivable, ending            | <u>\$ 9,104,870</u> | <u>\$ 5,768,330</u> |

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

#### Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. As of June 30, 2014, total investments were \$163,833,273, of which \$143,417,911 were carried at fair value and \$20,415,362 were carried at cost. As of June 30, 2013, total investments were \$145,637,665, of which \$127,482,358 were carried at fair value and \$18,155,307 were carried at cost.

|                                    | <u>2014</u>    | <u>2013</u>    |
|------------------------------------|----------------|----------------|
| Investments carried at fair value: |                |                |
| Large cap equities                 | \$ 21,183,818  | \$ 27,254,016  |
| Foreign equities                   | 30,012,448     | 17,360,294     |
| U.S. government securities         | 4,858,316      | 4,982,946      |
| Small cap equities                 | 5,783,273      | 8,492,863      |
| Mid cap equities                   | 14,053,162     | 10,219,542     |
| Hedge funds                        | 9,646,484      | 3,687,389      |
| Bond funds                         | 18,058,194     | 17,092,823     |
| Market neutral equities            | 13,072,856     | 12,712,909     |
| Natural resources                  | 12,693,706     | 11,266,075     |
| Realty funds                       | 11,714,926     | 10,643,137     |
| Short-term money market funds      | 881,513        | 2,194,319      |
| Life insurance policies            | 1,061,195      | 1,060,278      |
| Other                              | 398,020        | 515,767        |
|                                    | <hr/>          | <hr/>          |
| Total                              | \$ 143,417,911 | \$ 127,482,358 |

## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

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

|             | 2014           |              |               |                |
|-------------|----------------|--------------|---------------|----------------|
|             | Level 1        | Level 2      | Level 3       | Total          |
| Investments | \$ 128,515,091 | \$ 4,858,316 | \$ 10,044,504 | \$ 143,417,911 |

|             | 2013           |              |              |                |
|-------------|----------------|--------------|--------------|----------------|
|             | Level 1        | Level 2      | Level 3      | Total          |
| Investments | \$ 118,296,256 | \$ 4,982,946 | \$ 4,203,156 | \$ 127,482,358 |

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

|  | 2014          | 2013         |
|--|---------------|--------------|
| Beginning fair value                                 | \$ 4,203,156  | \$ 4,741,338 |
| Net realized gain                                    | 653,651       | 340,045      |
| Additions and sales, net                             | 4,695,517     | (861,879)    |
| Net change in unrealized appreciation (depreciation) | 492,180       | (16,348)     |
| Ending fair value                                    | \$ 10,044,504 | \$ 4,203,156 |

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

Hedge funds at June 30, 2014 and 2013 include \$9,646,484 and \$3,687,389, respectively, in directional funds. The Foundation requested a full redemption of one hedge fund during fiscal year 2013; however, in accordance with the fund's liquidation policy, only 25% was redeemed at June 30, 2013. The remaining balance is expected to be redeemed during fiscal year 2015. The other two hedge funds have redemption frequencies two years after purchase, and then annually thereafter. No hedge funds had outstanding capital commitments at June 30, 2014.

|                                 | 2014          | 2013          |
|---------------------------------|---------------|---------------|
| Investments carried at cost:    |               |               |
| Private equity investments      | \$ 19,201,121 | \$ 16,819,571 |
| Private real estate investments | 1,214,241     | 1,335,736     |
| Total                           | \$ 20,415,362 | \$ 18,155,307 |

## WASHBURN UNIVERSITY OF TOPEKA

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### Notes to Financial Statements (Continued)

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies and their estimated fair values have been adversely affected by the economic downturn. Management has evaluated the near-term prospects of the investees and the Foundation's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value. As a result of this evaluation, the Foundation determined that the value of two of the private real estate investments was permanently impaired and, accordingly, wrote down these investments in the amount of \$1,518,375 during 2013. The Foundation does not consider the remaining investments to be permanently impaired at June 30, 2014.

The following shows the gross unrealized losses and fair value of the Foundation's private placement investments with unrealized losses that are not deemed to be permanently impaired, aggregated by investment category and length of time that individual investments have been in a continuous unrealized loss position at June 30, 2014:

|                                  | <u>1 - 6 Years</u> |                          |
|----------------------------------|--------------------|--------------------------|
|                                  | <u>Fair Value</u>  | <u>Unrealized Losses</u> |
| Private equity - Buyout          | \$ 2,909,106       | \$ (301,690)             |
| Private equity - Venture capital | 761,791            | (11,131)                 |
| Private debt                     | 1,134,035          | (210,114)                |
| Private natural resources        | 2,647,726          | (146,932)                |

The Foundation has committed a total of \$41,500,000 to the private placement investment funds above. Unfunded commitments were approximately \$10,100,000 at June 30, 2014.

Amounts included in net investment income for the years ended June 30, 2014 and 2013 were:

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Dividends and interest                      | \$ 5,538,042         | \$ 4,945,354         |
| Net realized gain                           | 4,075,898            | 3,621,027            |
| Change in net unrealized gains              | 5,273,831            | 3,903,500            |
| Write-down of private placement investments | —                    | (1,518,375)          |
| Investment expense                          | (251,188)            | (253,317)            |
|   | <u>\$ 14,636,583</u> | <u>\$ 10,698,189</u> |

## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

#### Beneficial Interests In Trusts

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

|                             | 2014                | 2013                |
|-----------------------------|---------------------|---------------------|
| Perpetual trusts            | \$ 5,391,827        | \$ 4,991,971        |
| Charitable remainder trusts | 971,077             | 965,462             |
| Charitable lead trust       | 2,964,881           | 3,407,262           |
|                             | <u>\$ 9,327,785</u> | <u>\$ 9,364,695</u> |

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

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| Beginning fair value                   | \$ 9,364,695        | \$ 9,072,074        |
| Distributions to Foundation            | (624,922)           | (536,793)           |
| Change in value in beneficial interest | 588,012             | 829,414             |
| Ending fair value                      | <u>\$ 9,327,785</u> | <u>\$ 9,364,695</u> |

#### Net Assets And Agency Funds

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

|                       | 2014                      |                           |                      |                                   |                      |                       |
|-----------------------|---------------------------|---------------------------|----------------------|-----------------------------------|----------------------|-----------------------|
|                       | Permanently<br>Restricted | Temporarily<br>Restricted | Unrestricted         | Foundation<br>Total<br>Net Assets | Agency<br>Funds      | Total                 |
| Scholarship           | \$ 39,171,680             | \$ 22,381,803             | \$ —                 | \$ 61,553,483                     | \$ 29,191,282        | \$ 90,744,765         |
| Student support       | 687,125                   | 424,844                   | —                    | 1,111,969                         | 95,179               | 1,207,148             |
| Program support       | 9,327,483                 | 15,461,954                | —                    | 24,789,437                        | 3,400,882            | 28,190,319            |
| Faculty support       | 3,389,562                 | 2,038,522                 | —                    | 5,428,084                         | 250,358              | 5,678,442             |
| Professorship/Chairs  | 7,618,276                 | 3,553,035                 | —                    | 11,171,311                        | 3,378,199            | 14,549,510            |
| Capital               | 1,498,774                 | 4,631,958                 | —                    | 6,130,732                         | 104,643              | 6,235,375             |
| Area of greatest need | 5,033,765                 | 9,311,901                 | 13,307,256           | 27,652,922                        | 8,661,421            | 36,314,343            |
|                       | <u>\$ 66,726,665</u>      | <u>\$ 57,804,017</u>      | <u>\$ 13,307,256</u> | <u>\$ 137,837,938</u>             | <u>\$ 45,081,964</u> | <u>\$ 182,919,902</u> |

# WASHBURN UNIVERSITY OF TOPEKA

## Notes to Financial Statements (Continued)

|                       | 2013                      |                           |               |                     |                 |                |
|-----------------------|---------------------------|---------------------------|---------------|---------------------|-----------------|----------------|
|                       | Permanently<br>Restricted | Temporarily<br>Restricted | Unrestricted  | Foundation          | Agency<br>Funds | Total          |
|                       |                           |                           |               | Total<br>Net Assets |                 |                |
| Scholarship           | \$ 36,469,827             | \$ 18,078,229             | \$ —          | \$ 54,548,056       | \$ 26,925,195   | \$ 81,473,251  |
| Student support       | 686,599                   | 368,976                   | —             | 1,055,575           | 64,299          | 1,119,874      |
| Program support       | 9,615,580                 | 12,126,873                | —             | 21,742,453          | 3,253,036       | 24,995,489     |
| Faculty support       | 3,347,791                 | 1,777,948                 | —             | 5,125,739           | 350,748         | 5,476,487      |
| Professorship/Chairs  | 7,192,070                 | 2,439,052                 | —             | 9,631,122           | 4,780,763       | 14,411,885     |
| Capital               | 1,491,428                 | 2,541,421                 | —             | 4,032,849           | 57,172          | 4,090,021      |
| Area of greatest need | 4,909,652                 | 8,639,097                 | 10,470,521    | 24,019,270          | 6,491,152       | 30,510,422     |
|                       | \$ 63,712,947             | \$ 45,971,596             | \$ 10,470,521 | \$ 120,155,064      | \$ 41,922,365   | \$ 162,077,429 |

### Endowment Funds

The Foundation's endowment consists of approximately 630 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds that the Foundation must hold in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

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

Endowment net asset composition by type of fund:

|                                  | 2014           |                        |                        | Total         |
|----------------------------------|----------------|------------------------|------------------------|---------------|
|                                  | Unrestricted   | Temporarily Restricted | Permanently Restricted |               |
| Donor-restricted endowment funds | \$ (2,312,890) | \$ 26,104,657          | \$ 56,810,057          | \$ 80,601,824 |

Changes in endowment net assets for the year ended June 30, 2014:

|   | 2014           |                        |                        | Total         |
|---|----------------|------------------------|------------------------|---------------|
|   | Unrestricted   | Temporarily Restricted | Permanently Restricted |               |
| Endowment net assets, beginning of year           | \$ (4,629,118) | \$ 22,427,801          | \$ 54,184,195          | \$ 71,982,878 |
| Investment return:                                |                |                        |                        |               |
| Investment income                                 | 45,708         | 3,391,500              | 174,078                | 3,611,286     |
| Net appreciation                                  | 1,952,193      | 5,000,260              | —                      | 6,952,453     |
| Total investment return                           | 1,997,901      | 8,391,760              | 174,078                | 10,563,739    |
| Contributions                                     | —              | —                      | 2,451,784              | 2,451,784     |
| Appropriation of endowment assets for expenditure | (117,178)      | (4,279,399)            | —                      | (4,396,577)   |
| Other changes:                                    |                |                        |                        |               |
| Release from time restriction                     | 435,505        | (435,505)              | —                      | —             |
| Endowment net assets, end of year                 | \$ (2,312,890) | \$ 26,104,657          | \$ 56,810,057          | \$ 80,601,824 |



## WASHBURN UNIVERSITY OF TOPEKA

### Notes to Financial Statements (Continued)

Endowment net asset composition by type of fund:

|                                  | 2013           |                        |                        | Total         |
|----------------------------------|----------------|------------------------|------------------------|---------------|
|                                  | Unrestricted   | Temporarily Restricted | Permanently Restricted |               |
| Donor-restricted endowment funds | \$ (4,629,118) | \$ 22,427,801          | \$ 54,184,195          | \$ 71,982,878 |

Changes in endowment net assets for the year ended June 30, 2013:

|   | 2013           |                        |                        | Total         |
|---|----------------|------------------------|------------------------|---------------|
|   | Unrestricted   | Temporarily Restricted | Permanently Restricted |               |
| Endowment net assets, beginning of year           | \$ (5,907,175) | \$ 19,782,643          | \$ 51,489,375          | \$ 65,364,843 |
| Investment return:                                |                |                        |                        |               |
| Investment income                                 | 29,357         | 3,223,977              | 169,747                | 3,423,081     |
| Net appreciation                                  | 1,233,929      | 3,015,996              | —                      | 4,249,925     |
| Total investment return                           | 1,263,286      | 6,239,973              | 169,747                | 7,673,006     |
| Contributions                                     | —              | —                      | 2,525,073              | 2,525,073     |
| Appropriation of endowment assets for expenditure | (435,867)      | (3,144,177)            | —                      | (3,580,044)   |
| Other changes:                                    |                |                        |                        |               |
| Release from time restriction                     | 450,638        | (450,638)              | —                      | —             |
| Endowment net assets, end of year                 | \$ (4,629,118) | \$ 22,427,801          | \$ 54,184,195          | \$ 71,982,878 |

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

|   | 2014          | 2013          |
|---|---------------|---------------|
| Permanently restricted endowment net assets           | \$ 56,810,057 | \$ 54,184,195 |
| Permanently restricted pledges receivable             | 1,527,854     | 1,097,473     |
| Permanently restricted beneficial interests in trusts | 8,388,754     | 8,431,279     |
|   | \$ 66,726,665 | \$ 63,712,947 |

## WASHBURN UNIVERSITY OF TOPEKA

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

#### **Related Party**

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

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

|   | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Fair market value of agency accounts -<br>beginning of year | \$ 41,922,365        | \$ 40,103,635        |
| Contributions   | 630,869              | 905,526              |
| Non-gift income and transfers                               | 64,306               | 69,277               |
| Net investment income                                       | 6,287,911            | 4,913,802            |
| Distributions   | (2,634,009)          | (2,920,251)          |
| Expense allocation for administration                       | (1,189,478)          | (1,149,624)          |
| Fair market value of agency accounts -<br>end of year       | <u>\$ 45,081,964</u> | <u>\$ 41,922,365</u> |

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

#### Basis Of Presentation

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

#### Investments Held At Washburn University Foundation

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

Amounts included in return on investments for the years ended June 30, 2014 and 2013 were:

|                          | <u>2014</u>         | <u>2013</u>       |
|--------------------------|---------------------|-------------------|
| Interest and dividends   | \$ 425,338          | \$ 425,004        |
| Net realized gain (loss) | 339,274             | 176,644           |
| Net unrealized gain      | 459,540             | 377,819           |
|                          | <u>\$ 1,224,152</u> | <u>\$ 979,467</u> |

#### Net Assets

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

Permanently restricted net assets consist of endowment funds.

# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2014

Page 1 Of 3

| <u>Cluster/Program</u>   | <u>Federal Agency/<br/>Pass-Through Entity</u> | <u>Grant<br/>Number</u> | <u>CFDA<br/>Number</u> | <u>Amount</u>     |
|--|--|-------------------------|------------------------|-------------------|
| <b>Student Financial Aid Cluster</b>   |  |                         |                        |                   |
| <b>Washburn University</b>   |  |                         |                        |                   |
| Federal Direct Student Loans   | U.S. Department of Education                   |                         | 84.268                 | \$ 36,268,511     |
| Federal Supplemental Educational<br>Opportunity Grant Program                      | U.S. Department of Education                   |                         | 84.007                 | 248,457           |
| Federal Work-Study Program   | U.S. Department of Education                   |                         | 84.033                 | 234,788           |
| Federal Perkins Loan Program   | U.S. Department of Education                   |                         | 84.038                 | 163,651           |
| Federal Pell Grant Program   | U.S. Department of Education                   |                         | 84.063                 | 8,878,401         |
| Teacher Education Assistance for<br>College and Higher Education<br>(TEACH) Grants | U.S. Department of Education                   |                         | 84.379                 | 30,722            |
| <b>Washburn Institute Of Technology</b>  |  |                         |                        |                   |
| Federal Direct Student Loans   | U.S. Department of Education                   |                         | 84.268                 | 2,618,872         |
| Federal Work-Study Program   | U.S. Department of Education                   |                         | 84.033                 | 5,072             |
| Federal Pell Grant Program   | U.S. Department of Education                   |                         | 84.063                 | <u>1,757,287</u>  |
| <b>Total Student Financial Aid Cluster</b>   |  |                         |                        | <u>50,205,761</u> |

# WASHBURN UNIVERSITY OF TOPEKA

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

For The Year Ended June 30, 2014

Page 2 Of 3

| Cluster/Program  | Federal Agency/<br>Pass-Through Entity   | Grant<br>Number      | CFDA<br>Number | Amount         |
|--|--|----------------------|----------------|----------------|
| <b>Research And Development Cluster</b>  |  |                      |                |                |
| Kansas Biomedical Research<br>Infrastructure Network Project - base              | U.S. Department of Health and<br>Human Services / University of<br>Kansas Medical Center | 2 P20 GM103418-14    | 93.389         | \$ 79,719      |
| Astrophysical Ionizing Photon Events &<br>Primary Productivity of Earth's Oceans | NASA   |                      | 43.AAA         | <u>26,042</u>  |
| <b>Total Research And Development Cluster</b>                                    |  |                      |                | <u>105,761</u> |
| <b>Other</b>   |  |                      |                |                |
| <b>Washburn University</b>   |  |                      |                |                |
| Perkins IV Program Improvement   | U.S. Department of Education/<br>Kansas Board of Regents                                 | V048A140016          | 84.048         | 44,961         |
| Trans-Atlantic Double Degree in Nursing  | U.S. Department of Education   |                      | 84.116J        | 44,984         |
| TRAC-7 DOLETA Grant  | U.S. Department of Labor   |                      | 17.282         | 2,843,317      |
| Serving Young Adult Ex-Offenders   | U.S. Department of Labor/<br>Fort Scott Community College                                | SGA-DFA-PY-11-03     | 17.270         | 66,957         |
| Facilities: Renewable Energy - ARRA  | U.S. Department of Energy/<br>Kansas Corporation Commission                              | DE-DD0000727         | 81.128         | 1,928          |
| LinCing the Community  | Center for Community Services/<br>Kansas Volunteer Commission                            | 10VGHKS001           | 94.021         | 11,577         |
| Small Business Development Center  | Small Business Administration/<br>Fort Hays State University                             | SBAHQ-14-B-0057/0002 | 59.037         | 123,882        |

# WASHBURN UNIVERSITY OF TOPEKA

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

For The Year Ended June 30, 2014

Page 3 Of 3

| Cluster/Program  | Federal Agency/<br>Pass-Through Entity                            | Grant<br>Number    | CFDA<br>Number | Amount               |
|--|---|--------------------|----------------|----------------------|
| Mulvane Art Museum: Outreach Support                       | Institute of Museum & Library Services                            |                    | 45.301         | \$ 47,164            |
| AmeriCorps *VISTA Project Support                          | Corporation for National Service                                  |                    | 94.013         | 39,437               |
| Advanced Education Nursing<br>Traineeship (AENT)           | U.S. Department of Health and Human<br>Services - HRSA Department |                    | 93.358         | 330,300              |
| Law School: Georgia Project                                | USAID passed-through the East-West<br>Management Institute        | AID-114-A-10-00008 | 98.011         | 218,449              |
| <b>Washburn Institute Of Technology</b>                    |   |                    |                |                      |
| A-OK Grant   | U.S. Department of Education/<br>Kansas Board of Regents          | V048A140016        | 84.048         | 5,793                |
| A-OK Grant   | U.S. Department of Labor/<br>Kansas Board of Regents              | AA213961155A20     | 17.258         | 2,161                |
| TRAC-7 DOLETA Grant  | U.S. Department of Labor  |                    | 17.282         | 1,475,988            |
| Perkins IV Program Improvement and<br>Perkins Reserve Fund | U.S. Department of Education/<br>Kansas Board of Regents          | V048A140016        | 84.048         | 203,650              |
| Perkins Leadership Fund                                    | U.S. Department of Education/<br>Kansas Board of Regents          | V048A140016        | 84.048         | 32,000               |
| <b>Total Other</b>   |   |                    |                | <u>5,492,548</u>     |
| <b>Total</b>   |   |                    |                | <u>\$ 55,804,070</u> |

# WASHBURN UNIVERSITY OF TOPEKA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2014

1. This schedule includes the federal awards activity of Washburn University of Topeka and of Washburn Institute of Technology and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. The federal student loan programs listed in the schedule of expenditures of federal awards are administered directly by Washburn University of Topeka or Washburn Institute of Technology, and balances and transactions relating to these programs are included in the Washburn University of Topeka's basic financial statements (which include Washburn Institute of Technology as a blended component unit). Loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding related to the Perkins Loan Program was \$832,226 for the year ended June 30, 2014.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program and, accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the University under this program at June 30, 2014.

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

| <u>Program</u>   | <u>Subrecipient</u>   | <u>CFDA</u>   |               |
|--|-----------------------|---------------|---------------|
|  |                       | <u>Number</u> | <u>Amount</u> |
| Astrophysical Ionizing Photon Events &<br>Primary Productivity on Earth's Oceans | University of Kansas  | 43.AAA        | \$ 2,488      |
| Astrophysical Ionizing Photon Events &<br>Primary Productivity on Earth's Oceans | Smithsonian Institute | 43.AAA        | 25,290        |



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

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washburn University of Topeka (the University) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 23, 2014.

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

**Internal Control Over Financial Reporting**

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



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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance And Other Matters**

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

### **Purpose Of This Report**

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

*RubinBrown LLP*

December 23, 2014



RubinBrown LLP  
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**Independent Auditors' Report On  
Compliance For Each Major Federal  
Program And A Report On Internal  
Control Over Compliance In Accordance  
With OMB Circular A-133**

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

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

We have audited Washburn University of Topeka's (the University) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2014.

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

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*RubinBrown LLP*

December 23, 2014

# WASHBURN UNIVERSITY OF TOPEKA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For The Year Ended June 30, 2014

### Summary of Auditor's Results

1. The opinion expressed in the independent auditors' report was:  
 Unmodified       Qualified       Adverse       Disclaimed
  
2. The independent auditors' report on internal control over financial reporting described:  
 Significant deficiency(ies) noted considered material weakness(es)?       Yes       No  
  
 Significant deficiency(ies) noted that are not considered to be a material weakness?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No
  
4. The independent auditors' report on internal control over compliance with requirements applicable to major federal awards programs described:  
 Significant deficiency(ies) noted considered material weakness(es)?       Yes       No  
  
 Significant deficiency(ies) noted that are not considered to be a material weakness?       Yes       No
  
5. The opinion expressed in the independent auditors' report on compliance with requirements applicable to major federal awards was:  
 Unmodified       Qualified       Adverse       Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?       Yes       No
  
7. The University's major programs were:

| Cluster/Program   | CFDA Number |
|---|-------------|
| Student Financial Aid Cluster   |             |
| Federal Direct Student Loans  | 84.268      |
| Federal Supplemental Educational Opportunity Grant Program            | 84.007      |
| Federal Work-Study Program  | 84.033      |
| Federal Perkins Loan Program  | 84.038      |
| Federal Pell Grant Program  | 84.063      |
| Teacher Education Assistance for College and Higher Education (TEACH) | 84.379      |
| TRAC-7 DOLETA Grant   | 17.282      |
| Advanced Education Nursing Traineeships Grant (AENT)                  | 93.358      |

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
  
9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133?       Yes       No

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2014

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### Section II - Financial Statement Findings

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No matters are reportable.

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

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#### **Finding 2014-001**

##### **Federal Award No. 93.358**

##### **Advanced Education Nursing Traineeships (AENT) (Significant Deficiency)**

**Criteria:** According to OMB Circular A-133 and OMB Circular A-110, non-Federal entities receiving Federal awards are required to formally establish and maintain internal control designed to reasonably ensure compliance with Federal law, regulations and program compliance.

**Condition:** The University's staff did not properly document a formal internal control structure and RubinBrown was unable to evidence that proper review was being performed in determining students' eligibility to receive aid in accordance with the federal award.

**Effect:** Non-compliance with student eligibility requirements could occur without the University's knowledge.

**Questioned Costs:** There were no questioned costs noted for this finding.

**Cause:** No documentation was available showing review of the student eligibility to receive scholarship funds.

**Recommendation:** The University should design and implement a formal procedure to document review of selected student's eligibility.

# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2014

**Corrective Action Plan:** Washburn University will formally require a second faculty member (the “Reviewer”) to perform a relatively high level review of the student’s eligibility prior to scholarship notification being sent out. The Principal Investigator will determine whether students meet applicable eligibility requirements, and ensure student files contain documentation of the eligibility determination. The Reviewer will perform a high level review of selected students’ applications to provide additional assurance that recipients meet eligibility requirements. Such review will be documented appropriately in the student file.

**Contact:** Washburn Office of Sponsored Projects

**Completion Date:** January 1, 2015

### **Finding 2014-002**

#### **Federal Award No. 93.358**

#### **Advanced Education Nursing Traineeships (AENT) (Significant Deficiency)**

**Criteria:** According to OMB Circular A-133 and OMB Circular A-110, non-Federal entities receiving Federal awards are required to formally establish and maintain internal control designed to reasonably ensure compliance with Federal law, regulations and program compliance.

**Condition:** The University’s staff did not formally document review of the required semi-annual performance report.

**Effect:** Potential errors in the performance report could occur without the University’s knowledge. This would cause the program not to be in compliance with the reporting requirement.

**Questioned Costs:** There were no questioned costs noted for this finding.

**Cause:** No documentation was available showing review of the semi-annual performance report.

**Recommendation:** The University should design and implement a formal standard procedure to document review of required reporting.

## WASHBURN UNIVERSITY OF TOPEKA

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### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2014

**Corrective Action Plan:** Washburn University will formally require a person with appropriate familiarity with the grant subject matter (the “Reviewer”) to perform a relatively high level review of periodic performance reports before such reports are submitted to the cognizant agency. The Principal Investigator will be responsible for the timely completion of these reports, as well the accuracy of the reported data. The Reviewer will perform a high level review of the report to ascertain whether reported data appears reasonable, based on their degree of familiarity with grant activities. Such review will be documented appropriately in the applicable grant files.

**Contact:** Washburn Office of Sponsored Projects

**Completion Date:** January 1, 2015



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**WASHBURN UNIVERSITY OF TOPEKA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For The Year Ended June 30, 2014**

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| <b>Finding No.</b> | <b>CFDA No.</b> | <b>Program</b> | <b>Condition</b>   | <b>Current Year Status</b> |
|--------------------|-----------------|----------------|--|----------------------------|
| 2013-001           | 17.282          | TRAC-7         | The University's staff did not document review of weekly certified payrolls submitted by hired contractors and subcontractors.                           | RESOLVED                   |
| 2013-002           | 17.282          | TRAC-7         | The University did not perform a timely suspension or debarment verification check for one of the program contracts entered into during the fiscal year. | RESOLVED                   |
| 2013-003           | 17.282          | TRAC-7         | The University did not review and update their Central Contractor Registration annually as required 2 CFR 25.110.  | RESOLVED                   |

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# WASHBURN UNIVERSITY OF TOPEKA

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

### General Fund

For The Year Ended June 30, 2014

|   | <b>Original<br/>And<br/>Final<br/>Budget</b> | <b>Actual</b>        | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---|--|----------------------|---|
| <b>Revenues</b>                               |  |                      |   |
| Tuition and fees                              | \$ 47,254,250                                | \$ 44,079,537        | \$ (3,174,713)                              |
| Income from endowment fund                    | 1,363,789                                    | 492,530              | (871,259)                                   |
| Sales tax and other taxes                     | 18,251,719                                   | 18,251,720           | 1   |
| State aid                                     | 10,788,890                                   | 10,955,685           | 166,795                                     |
| Other income                                  | 3,040,276                                    | 4,251,737            | 1,211,461                                   |
| Use of reserves                               | 2,400,349                                    | —                    | (2,400,349)                                 |
| Transfer from smoothing fund                  | —  | —                    | —   |
| Auxiliary enterprises                         | 6,658,200                                    | 6,700,625            | 42,425                                      |
| <b>Total Revenues</b>                         | <u>89,757,473</u>                            | <u>84,731,834</u>    | <u>(5,025,639)</u>                          |
| <b>Expenditures</b>                           |  |                      |   |
| Instruction                                   | 39,867,796                                   | 37,173,534           | 2,694,262                                   |
| Public service, academic support and research | 14,412,439                                   | 13,541,739           | 870,700                                     |
| Student services                              | 8,767,349                                    | 8,282,216            | 485,133                                     |
| Institutional support                         | 6,980,581                                    | 6,209,551            | 771,030                                     |
| Maintenance of plant                          | 7,705,800                                    | 7,000,263            | 705,537                                     |
| Scholarships and fellowships                  | 2,440,091                                    | 3,246,041            | (805,950)                                   |
| Other expenses and transfers                  | 3,718,635                                    | 1,381,223            | 2,337,412                                   |
| Contingency                                   | 4,000,000                                    | —                    | 4,000,000                                   |
| Auxiliary enterprises                         | 7,258,200                                    | 6,339,285            | 918,915                                     |
| <b>Total Expenditures</b>                     | <u>95,150,891</u>                            | <u>83,173,852</u>    | <u>\$ 11,977,039</u>                        |
| <b>Decrease In Fund Balance</b>               | <u>\$ (5,393,418)</u>                        | 1,557,982            |   |
| <b>Fund Balance - Beginning Of Year</b>       |  | <u>19,755,637</u>    |   |
| <b>Fund Balance - End Of Year</b>             |  | <u>\$ 21,313,619</u> |   |

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 2 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET**

**Debt Retirement And Construction Fund**

**For The Year Ended June 30, 2014**

|  | <b>Original<br/>And<br/>Final<br/>Budget</b> | <b>Actual</b>           | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|--|-------------------------|---|
| <b>Revenues</b>  |  |                         |   |
| Ad valorem property and other taxes  | \$ 3,685,575                                 | \$ 3,594,421            | \$ (91,154)                                 |
| Fees for parking improvements  | 25,038                                       | 25,038                  | —   |
| Investment income  | 350  | —                       | (350)                                       |
| Transfer from other funds  | 500,000                                      | 400,000                 | (100,000)                                   |
| Transfer from other funds - debt service   | 2,919,843                                    | 2,942,889               | 23,046                                      |
|  | <hr/>  | <hr/>                   | <hr/>                                       |
| <b>Total Revenues</b>  | 7,130,806                                    | 6,962,348               | (168,458)                                   |
|  | <hr/>  | <hr/>                   | <hr/>                                       |
| <b>Expenditures</b>  |  |                         |   |
| Bond principal   | 1,785,000                                    | 1,785,000               | —   |
| Lease principal  | 567,512                                      | 567,512                 | —   |
| Interest and commissions on bonds  | 1,038,576                                    | 1,034,871               | 3,705                                       |
| Issuance costs for Series 2014 Bonds   | —  | 59,391                  | (59,391)                                    |
| Transfers for construction, repairs or<br>equipping of new or existing buildings | 2,859,538                                    | 3,224,300               | (364,762)                                   |
| State deferred maintenance loan repayment  | 425,625                                      | 425,625                 | —   |
| Other  | 506,000                                      | 3,196                   | 502,804                                     |
| Contingency  | —  | —                       | —   |
|  | <hr/>  | <hr/>                   | <hr/>                                       |
| <b>Total Expenditures</b>  | 7,182,251                                    | 7,099,895               | \$ 82,356                                   |
|  | <hr/>  | <hr/>                   | <hr/>                                       |
| <b>Decrease In Fund Balance</b>  | <u>\$ (51,445)</u>                           | (137,547)               |   |
| <b>Fund Balance - Beginning Of Year</b>  |  | <hr/> 135,899           |   |
| <b>Fund Balance - End Of Year</b>  |  | <hr/> <u>\$ (1,648)</u> |   |

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 3 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET**

**Employee Benefits Contribution Fund**

**For The Year Ended June 30, 2014**

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

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 4 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Tort Claim Liability Fund  
For The Year Ended June 30, 2014**

|  | <b>Original<br/>And<br/>Final<br/>Budget</b> | <b>Actual</b>       | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|--|---------------------|---|
| <b>Revenues</b>                            |  |                     |   |
| Ad valorem property and other taxes        | \$ 363,540                                   | \$ 355,140          | \$ (8,400)                                  |
| Investment income                          | 5,000  | 1,010               | (3,990)                                     |
| <b>Total Revenues</b>                      | <u>368,540</u>                               | <u>356,150</u>      | <u>(12,390)</u>                             |
| <b>Expenditures</b>                        |  |                     |   |
| Insurance premium                          | 385,000                                      | 317,439             | 67,561                                      |
| Litigation expense                         | 250,000                                      | 7,976               | 242,024                                     |
| Miscellaneous expense                      | 6,000  | 44,081              | (38,081)                                    |
| Contingency                                | 350,000                                      | —                   | 350,000                                     |
| <b>Total Expenditures</b>                  | <u>991,000</u>                               | <u>369,496</u>      | <u>\$ 621,504</u>                           |
| <b>Increase (Decrease) In Fund Balance</b> | <u>\$ (622,460)</u>                          | (13,346)            |   |
| <b>Fund Balance - Beginning Of Year</b>    |  | <u>1,268,548</u>    |   |
| <b>Fund Balance - End Of Year</b>          |  | <u>\$ 1,255,202</u> |   |

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 5 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Sales Tax Smoothing Fund  
For The Year Ended June 30, 2014**

|  | <b>Original<br/>And<br/>Final<br/>Budget</b> | <b>Actual</b>       | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|--|---------------------|---|
| <b>Revenues</b>                            |  |                     |   |
| Sales tax and other taxes                  | \$ 500,000                                   | \$ 1,163,609        | \$ 663,609                                  |
| <b>Expenditures</b>                        |  |                     |   |
| Transfer to building construction fund     | 400,000                                      | 400,000             | —   |
| Transfer to general fund                   | 500,000                                      | —                   | 500,000                                     |
| Transfer to capital improvement fund       | 1,000,000                                    | —                   | 1,000,000                                   |
| Contingency                                | 300,000                                      | —                   | 300,000                                     |
| <b>Total Expenditures</b>                  | <u>2,200,000</u>                             | <u>400,000</u>      | <u>\$ 1,800,000</u>                         |
| <b>Increase (Decrease) In Fund Balance</b> | <u>\$ (1,700,000)</u>                        | 763,609             |   |
| <b>Fund Balance - Beginning Of Year</b>    |  | <u>3,631,948</u>    |   |
| <b>Fund Balance - End Of Year</b>          |  | <u>\$ 4,395,557</u> |   |

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**WASHBURN UNIVERSITY OF TOPEKA**

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**SCHEDULE 6 - REVENUES, EXPENDITURES AND  
COMPARISON WITH BUDGET  
Capital Improvement Fund  
For The Year Ended June 30, 2014**

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

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# WASHBURN UNIVERSITY OF TOPEKA

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

Washburn Institute Of Technology  
For The Year Ended June 30, 2014

|  | Original<br>And<br>Final<br>Budget | Actual              | Variance<br>Positive<br>(Negative) |
|--|------------------------------------|---------------------|------------------------------------|
| <b>Revenues</b>                            |                                    |                     |                                    |
| Tuition and fees                           | \$ 2,439,347                       | \$ 2,723,454        | \$ 284,107                         |
| Vocational state aid                       | 5,087,126                          | 5,426,941           | 339,815                            |
| Vocational capital outlay                  | 154,000                            | 158,655             | 4,655                              |
| Interest on investments                    | 30,000                             | 19,524              | (10,476)                           |
| Special project aid                        | 25,000                             | —                   | (25,000)                           |
| Other sales and services                   | 155,000                            | 296,235             | 141,235                            |
| Use of reserves                            | 750,000                            | —                   | (750,000)                          |
| <b>Total Revenues</b>                      | <u>8,640,473</u>                   | <u>8,624,809</u>    | <u>(15,664)</u>                    |
| <b>Expenditures</b>                        |                                    |                     |                                    |
| Instruction                                | 4,683,262                          | 4,761,409           | (78,147)                           |
| Academic support                           | 504,894                            | 522,404             | (17,510)                           |
| Student services                           | 810,415                            | 805,762             | 4,653                              |
| Institutional support                      | 360,196                            | 278,780             | 81,416                             |
| Maintenance of plant                       | 1,261,351                          | 1,282,946           | (21,595)                           |
| Other expenses and transfers               | 2,371,725                          | 1,835,541           | 536,184                            |
| Contingency                                | 800,000                            | —                   | 800,000                            |
| <b>Total Expenditures</b>                  | <u>10,791,843</u>                  | <u>9,486,842</u>    | <u>\$ 1,305,001</u>                |
| <b>Increase (Decrease) In Fund Balance</b> | <u>\$ (2,151,370)</u>              | (862,033)           |                                    |
| <b>Fund Balance - Beginning Of Year</b>    |                                    | <u>3,885,613</u>    |                                    |
| <b>Fund Balance - End Of Year</b>          |                                    | <u>\$ 3,023,580</u> |                                    |



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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES - 2004 BOND ISSUE

For The Year Ended June 30, 2014  
And Since Project Inception

|   | <b>For The Year<br/>Ended June 30,<br/>2014</b> | <b>Project<br/>Inception To<br/>June 30,<br/>2014</b> |
|---|---|---|
| <b>Revenues And Other Additions</b>             |   |   |
| Bond proceeds                                   | \$ —  | \$ 14,250,000   |
| Transfer for debt service                       | 498,590   | 5,003,820   |
| Original issue premium on bonds                 | —   | 294,915   |
| <b>Total Revenues And Other Additions</b>       | <u>498,590</u>                                  | <u>19,548,735</u>                                     |
| <b>Expenditures And Other Deductions</b>        |   |   |
| Bond issuance costs                             | —   | 277,233   |
| Bond insurance                                  | —   | 154,096   |
| Amount transferred to escrow account            | —   | 14,111,355  |
| Transfer to Series 2014 Bonds                   | 2,231   | 2,231   |
| Interest expense paid                           | 498,590   | 5,003,820   |
| <b>Total Expenditures And Other Deductions</b>  | <u>500,821</u>                                  | <u>19,548,735</u>                                     |
| <b>Cash Receipts Over Expenditures</b>          | (2,231)   | <u><u>\$ —</u></u>                                    |
| <b>Cash And Investments - Beginning Of Year</b> | <u>2,231</u>                                    |   |
| <b>Cash And Investments - End Of Year</b>       | <u><u>\$ —</u></u>                              |   |

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 9 - CASH RECEIPTS AND EXPENDITURES -

### 2010 BOND ISSUE

For The Year Ended June 30, 2014

And Since Project Inception

|  | <b>For The Year<br/>Ended June 30,<br/>2014</b> | <b>Project<br/>Inception To<br/>June 30,<br/>2014</b> |
|--|---|---|
| <b>Revenues And Other Additions</b>                      |   |   |
| Bond proceeds  | \$ —  | \$ 13,500,000   |
| Transfer for debt service                                | 314,170   | 1,041,445   |
| Original issue premium on bonds                          | —   | 16,170  |
| <b>Total Revenues And Other Additions</b>                | <u>314,170</u>                                  | <u>14,557,615</u>                                     |
| <b>Expenditures And Other Deductions</b>                 |   |   |
| Bond issuance costs                                      | —   | 202,380   |
| Bond insurance   | —   | 95,210  |
| Amount paid to refund Series 2001A, 2001B and 2003 bonds | —   | 13,210,000  |
| Interest expense paid                                    | 314,170   | 1,041,445   |
| <b>Total Expenditures And Other Deductions</b>           | <u>314,170</u>                                  | <u>14,549,035</u>                                     |
| <b>Cash Receipts Over Expenditures</b>                   | —   | <u>\$ 8,580</u>                                       |
| <b>Cash And Investments - Beginning Of Year</b>          | <u>8,580</u>                                    |   |
| <b>Cash And Investments - End Of Year</b>                | <u>\$ 8,580</u>                                 |   |

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 10 - CASH RECEIPTS AND EXPENDITURES -

### 2014 BOND ISSUE

For The Year Ended June 30, 2014

And Since Project Inception

|   | <b>For The Year<br/>Ended June 30,<br/>2014</b> | <b>Project<br/>Inception To<br/>June 30,<br/>2014</b> |
|---|---|---|
| <b>Revenues And Other Additions</b>             |   |   |
| Bond proceeds                                   | \$ 9,655,000                                    | \$ 9,655,000  |
| Cash provided to refund Series 2004 Bonds       | 63,625  | 63,625  |
| Transfer from Series 2004 Bonds                 | 2,231   | 2,231   |
| Original issue premium on bonds                 | 342,800   | 342,800   |
| <b>Total Revenues And Other Additions</b>       | <u>10,063,656</u>                               | <u>10,063,656</u>                                     |
| <b>Expenditures And Other Deductions</b>        |   |   |
| Bond issuance costs                             | 122,668   | 122,668   |
| Amount paid to refund Series 2004 bonds         | 9,935,000                                       | 9,935,000   |
| Interest expense paid                           | —   | —   |
| <b>Total Expenditures And Other Deductions</b>  | <u>10,057,668</u>                               | <u>10,057,668</u>                                     |
| <b>Cash Receipts Over Expenditures</b>          | 5,988   | <u>\$ 5,988</u>                                       |
| <b>Cash And Investments - Beginning Of Year</b> | <u>—</u>  |   |
| <b>Cash And Investments - End Of Year</b>       | <u>\$ 5,988</u>                                 |   |

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# WASHBURN UNIVERSITY OF TOPEKA

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## SCHEDULE 11 - OPERATIONS OF THE LIVING LEARNING CENTER For The Year Ended June 30, 2014

### Revenues

|  |                         |
|--|-------------------------|
| Room rental  | \$ 1,398,356            |
| Less: vacancy loss   | (76,661)                |
| Net income from room rental                                      | <u>1,321,695</u>        |
| Receipts from coin machines, forfeited initial pay, guests, etc. | 108,593                 |
| Reimbursement - employee benefits                                | <u>—</u>                |
| <b>Total Revenues</b>  | <u><u>1,430,288</u></u> |

### Expenditures

|  |                       |
|--|-----------------------|
| Salaries, director and resident assistants | 79,249                |
| Salaries, custodial                        | 125,798               |
| Benefits                                   | 20,337                |
| Scholarships                               | 51,128                |
| Insurance                                  | 20,640                |
| Utilities, telephone and cable             | 256,570               |
| Repairs and operating supplies             | 11,899                |
| Laundry                                    | —                     |
| Contracted services                        | <u>6,527</u>          |
| <b>Total Expenditures</b>                  | <u><u>572,148</u></u> |

**Net Operating Income** 858,140

**Debt Service - Transfer To Debt Retirement And Construction Fund** (500,000)

**Excess Of Cash Receipts Over Expenditures** \$ 358,140