
WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2017

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Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Report On The Financial Statements

We have audited the accompanying financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Washburn University Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$193,460,936 and \$177,256,025 as of June 30, 2017 and 2016, respectively, and total revenues of \$25,127,859 and \$13,895,553, respectively, for the years then ended or the Washburn Law School Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$6,926,086 and \$6,274,276 as of June 30, 2017 and 2016, respectively, and total revenues of \$1,096,854 and (\$93,458), 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 4 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, 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 21, 2017

WASHBURN UNIVERSITY OF TOPEKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017 and comparative data for the fiscal years ended June 30, 2016 and 2015. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and for this discussion and analysis.

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

The Reporting Entity

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

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

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

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

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

WASHBURN UNIVERSITY OF TOPEKA

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 University's facilities. In addition to the required information noted above, this report contains required supplementary information and other supplementary schedules.

Financial Highlights For The Fiscal Year Ended June 30, 2017

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, 2017, with total assets of \$230.4 million, deferred outflows of resources of \$442,000, and liabilities of \$62.2 million, compared to total assets of \$235.8 million, deferred outflows of resources of \$519,000 and liabilities of \$67.1 million at June 30, 2016. Net position was \$168.6 million at June 30, 2017. This total is a decrease of \$.7 million in net position, compared to last fiscal year's net position of \$169.3 million. Nonetheless, several offsetting factors are involved in this total, as will be reviewed throughout this analysis.

WASHBURN UNIVERSITY OF TOPEKA

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 \$40.9 million and operating expenses were \$97 million, resulting in a loss from operations of \$56.1 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, 2017, nonoperating revenues were \$55.5 million, which, when combined with other revenue sources and the loss from operations, resulted in a decrease in net position of \$.6 million compared to a decrease of \$.3 million for the year ended June 30, 2016.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2017, with total assets of \$11.3 million and liabilities of approximately \$825,000, compared to total assets of \$12.2 million and liabilities of \$794,000 at June 30, 2016. Net position was \$10.4 million, an 8.8% decrease from net position of \$11.4 million at June 30, 2016. This decrease is primarily the result of a decrease in the state appropriation for secondary students enrolled in technical programs in Kansas.

Washburn Tech's operating revenues were \$2.8 million and operating expenses were \$13.1 million, resulting in a loss from operations of \$10.3 million. Net nonoperating revenues, made up predominantly of state appropriations and grants, were \$9.3 million, which, when combined with other revenue sources and the loss from operations, resulted in a decrease in net position of \$972,000 for the year ended June 30, 2017, compared to an increase of \$197,000 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

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, 2017, 2016 and 2015 is presented below:

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

	2017	2016	2015
Assets			
Current assets	\$ 34,845,477	\$ 32,498,647	\$ 38,132,135
Capital assets, net	134,136,683	137,807,654	112,496,003
Other assets	72,754,268	77,738,457	97,024,656
Total Assets	241,736,428	248,044,758	247,652,794
Deferred Outflows Of Resources	442,447	519,437	602,938
Liabilities			
Current liabilities	14,855,278	18,710,101	15,006,859
Noncurrent liabilities	48,182,224	49,148,014	52,441,089
Total Liabilities	63,037,502	67,858,115	67,447,948
Net Position			
Net investment in capital assets	86,442,430	89,635,294	81,684,436
Restricted - nonexpendable	30,118,844	27,857,558	31,109,667
Restricted - expendable	38,574,758	45,547,974	43,538,709
Unrestricted	24,005,341	17,665,254	24,474,972
Total Net Position	\$ 179,141,373	\$ 180,706,080	\$ 180,807,784

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.

Current assets, which consist primarily of cash and receivables, totaled \$34.8 million at June 30, 2017. Total current assets at June 30, 2017 cover current liabilities 2.3 times, an indicator of good liquidity. Capital assets, net of related debt, which comprises 48.25 percent of total net assets at June 30, 2017, 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 restricted cash and cash equivalents of \$4.4 million, a receivable of \$38.7 from the Washburn University Foundation, and \$28.4 million in the equity of the net assets of the Washburn University Foundation.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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, 2015, 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 2015 bonds. The remaining change in the balance from June 30, 2015 to June 30, 2017 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, 2017 and 2016.

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 \$966,000 from June 30, 2016. This decrease reflects incremental amortization of existing bonded debt and capital leases. Principal payments on bonds, capital leases and loans were \$3.1 million during 2017.

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.

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 primary designation is in the smoothing fund, with balances of \$8.9 million and \$7.0 million as of June 30, 2017 and 2016, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2016 Compared To Fiscal Year 2015

Current assets, which consist primarily of cash and receivables, totaled \$32.5 million at June 30, 2016. Total current assets at June 30, 2016 covered current liabilities 1.7 times, an indicator of good liquidity. Capital assets, net of related debt, which comprised 55.4 percent of total net assets at June 30, 2016, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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

Although unrestricted net position is not subject to externally imposed stipulations, a portion of the University's unrestricted net position has been designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects and Regents' contingency. The primary designations as of June 30, 2016 were in the smoothing fund and for future capital projects. Those designated amounts totaled \$7.0 million for the smoothing fund, and \$8.2 million for future capital projects.

Statement Of Revenues, Expenses And Changes In Net Position

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

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

One of the University's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the years ended June 30, 2017, 2016 and 2015.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

	2017	2016	2015
Operating revenues	\$ 43,773,727	\$ 40,095,679	\$ 39,817,777
Operating expenses	110,238,351	109,984,499	103,603,484
	(66,464,624)	(69,888,820)	(63,785,707)
Nonoperating revenues and expenses	64,309,731	69,282,371	69,589,003
Income before other revenues	(2,154,893)	(606,449)	5,803,296
Other revenues	590,186	504,745	580,796
Increase (decrease) in net position	(1,564,707)	(101,704)	6,384,092
Net position at beginning of year	180,706,080	180,807,784	174,423,692
Net position at end of year	\$ 179,141,373	\$ 180,706,080	\$ 180,807,784

Fiscal Year 2017 Compared To Fiscal Year 2016

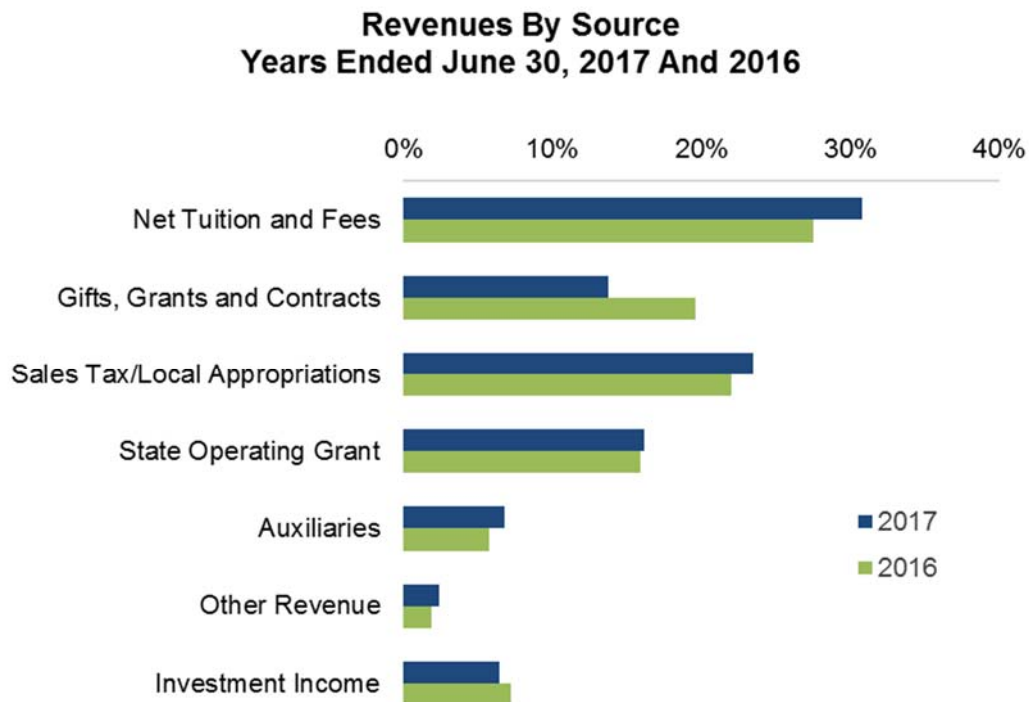
The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease of 1.6 million during the year ended June 30, 2017 compared to a decrease of \$.1 million during fiscal year 2016. Some highlights of the information provided in these statements follow.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Revenues

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



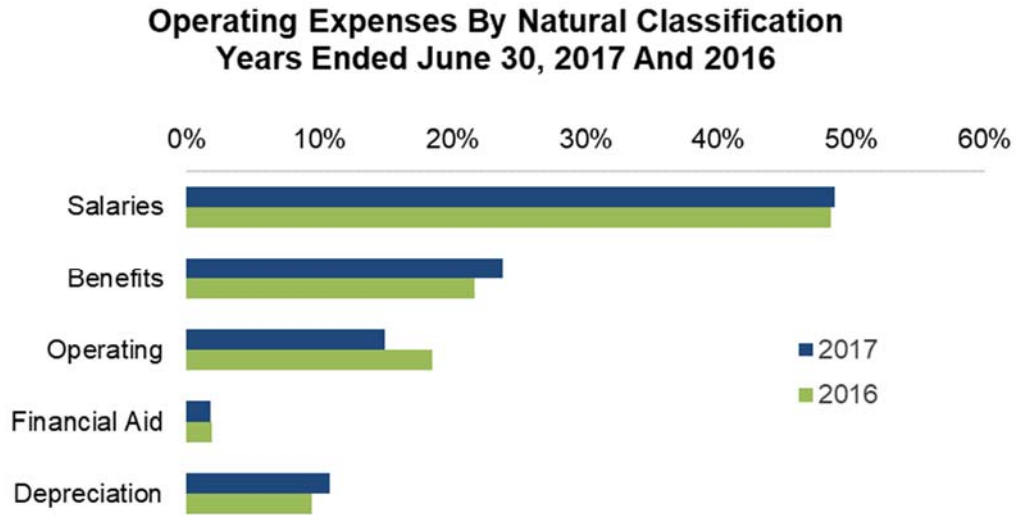
Sales tax/local appropriations and the state operating grant comprise 40.4 percent of the University's revenue for the year ended June 30, 2017 compared to 39.4 percent for the year ended June 30, 2016. The next largest revenue source was net tuition and fees, comprising 31.4 percent of revenue for the year ended June 30, 2017 compared to 28.7 percent for the year ended June 30, 2016.

WASHBURN UNIVERSITY OF TOPEKA

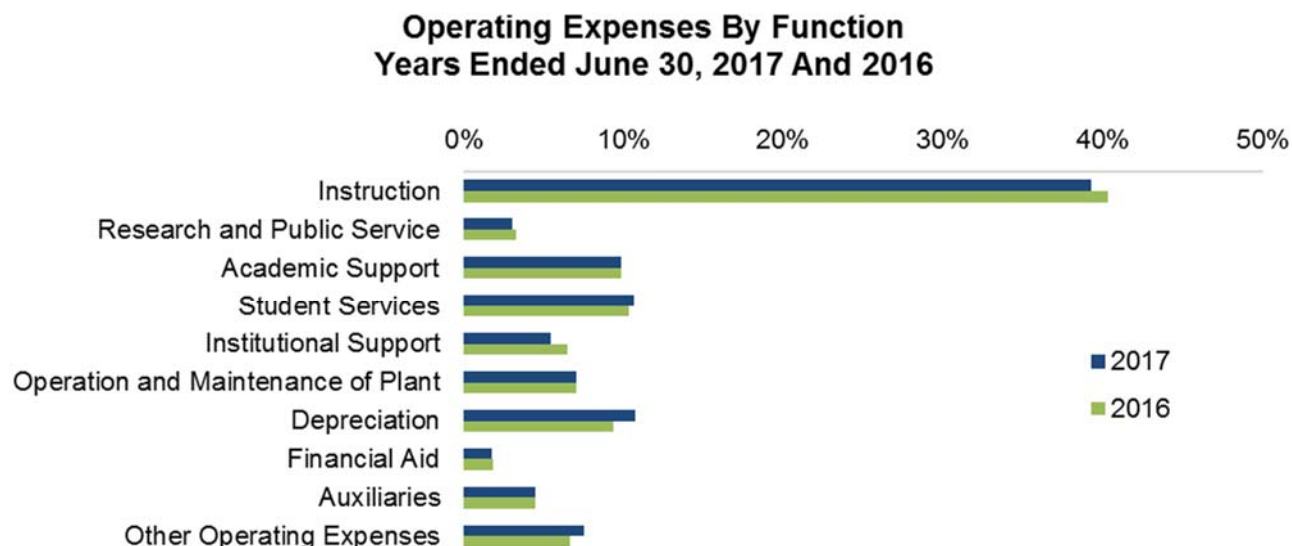
Management's Discussion And Analysis (*Continued*)

Expenses

Operating expenses in both natural (object) classification and functional classification are graphically displayed for the years ended June 30, 2017 and 2016.



Salaries and benefits comprise 72.5 percent of expenses by natural classification for the year ended June 30, 2017 compared to 70.2 percent for the year ended June 30, 2016. Operating expenses represent 14.9 percent of total expenses for the year ended June 30, 2017 compared to 18.5 percent for the year ended June 30, 2016. Financial aid and depreciation represent the remaining 12.6 percent of expenses for the year ended June 30, 2017 compared to 11.3 percent for the year ended June 30, 2016.



Instruction expenses accounted for 39.1 percent of operating expenses by function for the year ended June 30, 2017 compared to 40.4 percent for the year ended June 30, 2016. The percentages for the remaining operating expenses by functional area range from 10.6 percent for Student Services to 1.8 percent for Financial Aid for the year ended June 30, 2017 compared to 10.4 percent for academic support to 1.9 percent for financial aid for the year ended June 30, 2016.

Fiscal Year 2016 Compared To Fiscal Year 2015

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease of .1 million during the year ended June 30, 2016 compared to an increase of \$6.4 million during fiscal year 2015. Some highlights of the information provided in these statements follow.

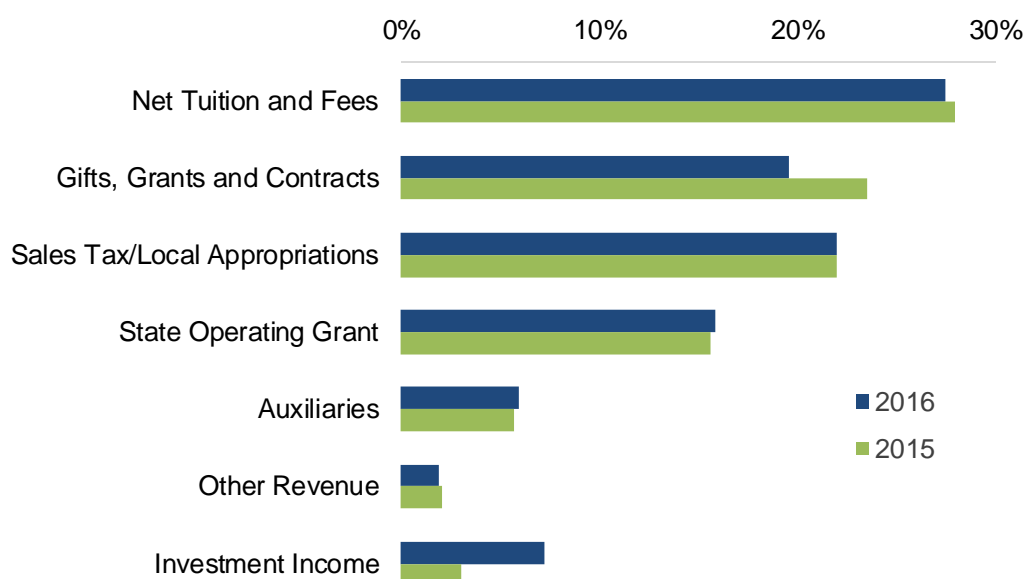
WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Revenues

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

**Revenues By Source
Years Ended June 30, 2016 And 2015**



Sales tax/local appropriations and the state operating grant comprise 40.9 percent of the University's revenue for the year ended June 30, 2016 compared to 37.6 percent for the year ended June 30, 2015. The next largest revenue source was net tuition and fees, comprising 29.7 percent of revenue for the year ended June 30, 2016 compared to 28.1 percent for the year ended June 30, 2015.

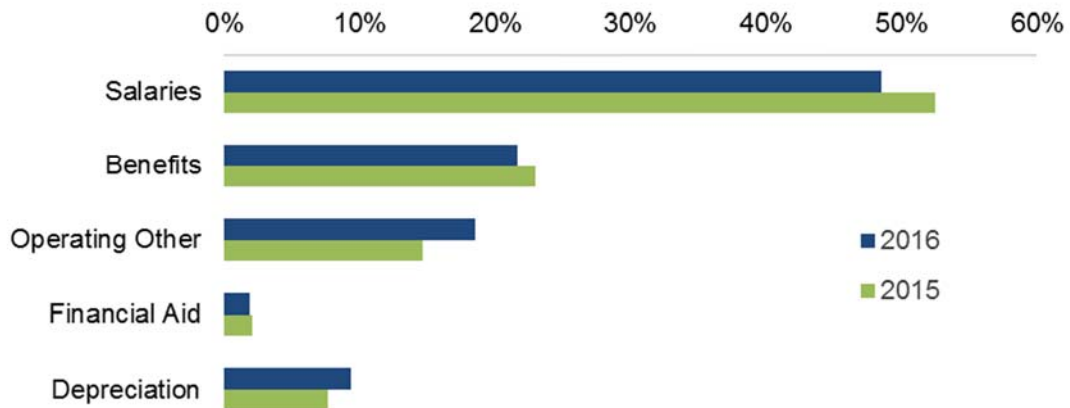
Expenses

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

WASHBURN UNIVERSITY OF TOPEKA

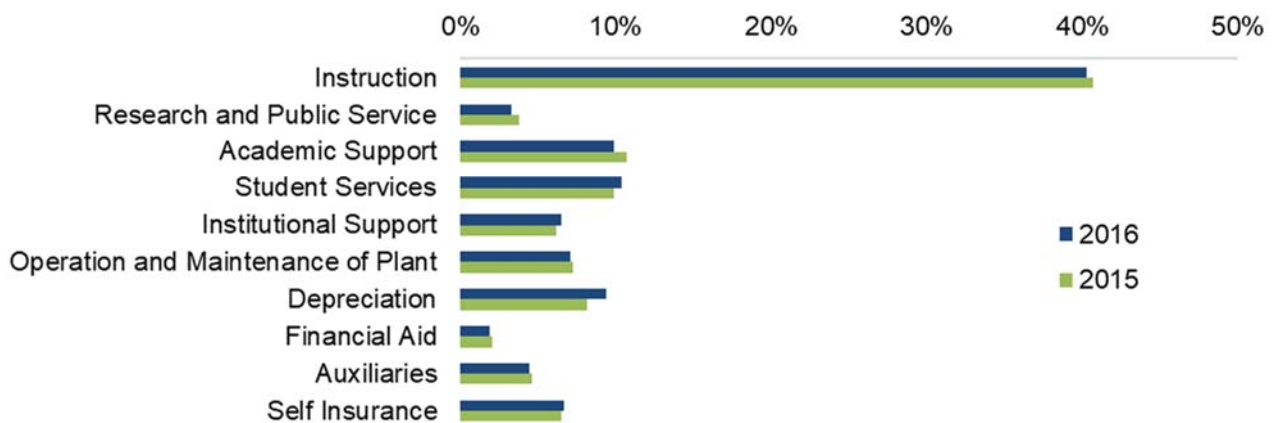
Management’s Discussion And Analysis (*Continued*)

**Operating Expenses By Natural Classification
Years Ended June 30, 2016 And 2015**



Salaries and benefits comprise 71.0 percent of expenses by natural classification for the year ended June 30, 2016 compared to 74.4 percent for the year ended June 30, 2015. Operating expenses represent 17.7 percent of total expenses for the year ended June 30, 2016 compared to 15.4 percent for the year ended June 30, 2015. Financial aid and depreciation represent the remaining 11.3 percent of expenses for the year ended June 30, 2016 compared to 10.1 percent for the year ended June 30, 2015.

**Operating Expenses by Function
Years Ended June 30, 2016 and 2015**



Instruction expenses accounted for 40.4 percent of operating expenses by function for the year ended June 30, 2016 compared to 41.8 percent for the year ended June 30, 2015. The percentages for the remaining operating expenses by functional area range from 10.4 percent for Student Services to 1.9 percent for Financial Aid for the year ended June 30, 2016 compared to 11.0 percent for academic support to 2.1 percent for financial aid for the year ended June 30, 2015.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

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

Condensed Statement Of Cash Flows For The Years Ended June 30, 2017, 2016 And 2015

	2017	2016	2015
Cash provided by (used by):			
Operating activities	\$ (56,764,424)	\$ (56,240,636)	\$ (56,117,821)
Noncapital financing activities	57,426,234	61,283,690	65,402,800
Capital and related financing activities	(9,587,624)	(38,781,371)	5,796,870
Investing activities	7,100,577	3,343,824	4,453,352
Net increase (decrease) in cash	(1,825,237)	(30,394,493)	19,535,201
Cash - beginning of year	27,354,851	57,749,344	38,214,143
Cash - end of year	\$ 25,529,614	\$ 27,354,851	\$ 57,749,344

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2017 Compared To Fiscal Year 2016

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 \$1.8 million for the fiscal year ended June 30, 2017 compared to a decrease of approximately \$30.4 million for the fiscal year ended June 30, 2016. These differences are largely attributable to receipts from bond issuance in 2016 and disbursements related to construction projects at Morgan and Lincoln Hall during 2017.

Fiscal Year 2016 Compared To Fiscal Year 2015

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

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

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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

Capital Assets

The University made significant investments in capital assets during fiscal years 2017, 2016 and 2015. At June 30, 2017, the University had \$134.1 million invested in capital assets, net of accumulated depreciation, compared to \$137.8 million and \$112.5 million at June 30, 2016 and 2015, respectively. Depreciation charges totaled \$11.9 million for the fiscal year ended June 30, 2017 compared to \$10.3 million and \$8.4 million for the fiscal years ended June 30, 2016 and 2015, respectively.

Condensed Statement Of Capital Assets, Net Of Depreciation For The Years Ended June 30, 2017, 2016 And 2015

	2017	2016	2015
Land	\$ 1,444,104	\$ 1,444,104	\$ 1,444,104
Buildings, improvements and infrastructure	111,445,015	88,105,136	74,599,708
Furniture, fixtures and equipment	10,338,224	9,447,750	8,402,313
Computers and electronic equipment	1,748,189	2,125,481	1,779,607
Books and collections	775,164	1,028,531	1,082,611
Broadcasting tower, antenna and equipment	1,217,095	1,304,779	1,415,088
Vehicles	863,002	855,091	623,593
Works of art and historical treasures	2,689,354	2,689,354	2,650,354
Construction in progress	3,616,536	30,807,428	20,498,625
	\$ 134,136,683	\$ 137,807,654	\$ 112,496,003

Major additions during the fiscal year ended June 30, 2017 included completion of the Lincoln Residence and Dining Halls. The major projects classified as construction in progress at June 30, 2017 were the new campus wide phone system, and the new art gallery.

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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

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 0.90%, and will reset on February 1, 2016. Annual debt service is funded via KTWU's general fund budget.

Debt

At June 30, 2017, the University had \$47.7 million in outstanding debt compared to \$50.8 million at June 30, 2016 and \$53.3 million at June 30, 2015. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

Outstanding Debt Schedule As Of June 30, 2017, 2016 And 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bonds			
Series 2010	\$ 6,375,000	\$ 7,450,000	\$ 8,510,000
Series 2014	6,975,000	7,895,000	8,785,000
Series 2015A	19,965,000	20,105,000	20,105,000
Series 2015B	6,765,000	7,070,000	7,070,000
Total Bonds	<u>40,080,000</u>	<u>42,520,000</u>	<u>44,470,000</u>
Capital Lease Liability	7,651,863	8,258,712	8,852,155
Total Outstanding Debt	<u>\$ 47,731,863</u>	<u>\$ 50,778,712</u>	<u>\$ 53,322,155</u>

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

Also on June 25, 2015, the University issued \$7,070,000 in Revenue Bonds, Series 2015B ("Series 2015B"). The interest rate on the Series 2015B bonds is fixed at 2.1515% through June 30, 2025. Annual principal payments begin on July 1, 2016, ranging from \$305,000 to \$360,000 between then and July 1, 2025. The University may prepay the Series 2015B bonds at any time, subject under certain circumstances to a prepayment penalty not to exceed 2%, declining over time to 0% on and after July 1, 2024.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

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

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

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

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

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.

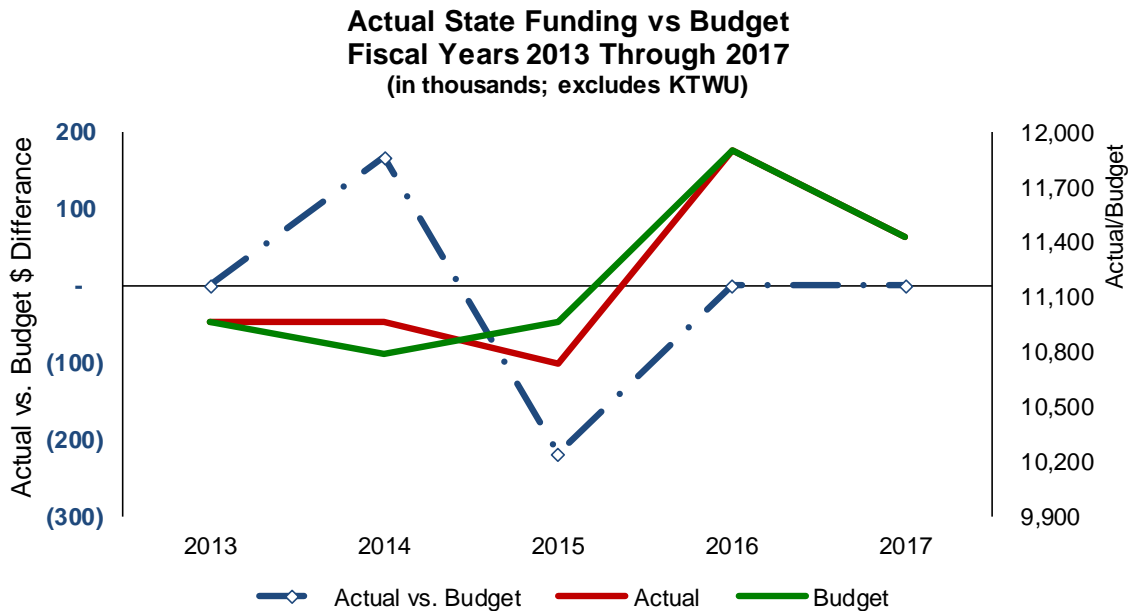
WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (Continued)

State Appropriations

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

Excluding 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 fiscal 2015, although the budgeted state appropriation increased to approximately the level of fiscal 2014 actual appropriations, the amount actually received fell, to the lowest level in the past six years.



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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

Although the possibility of a mid-year budget cut was recognized at the time the University set its fiscal 2015 budget, the budgeted state appropriation was set at the same level as actual fiscal 2016 receipts. At the same time, the University began making contingency plans for expense reductions in the event of a budget cut. In the event, when the budget cut became a reality, the University was able to make budget adjustments in a targeted manner.

The University's fiscal 2018 budget presumes state appropriations funding will remain even from fiscal 2017. Due to ongoing 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. In fiscal 2015, KTWU received \$60,000 in state funding. In fiscal 2016 and 2017, In fiscal year 2016 and 2017, KTWU received \$44,450 and \$44,067 respectively from the state of Kansas. 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.

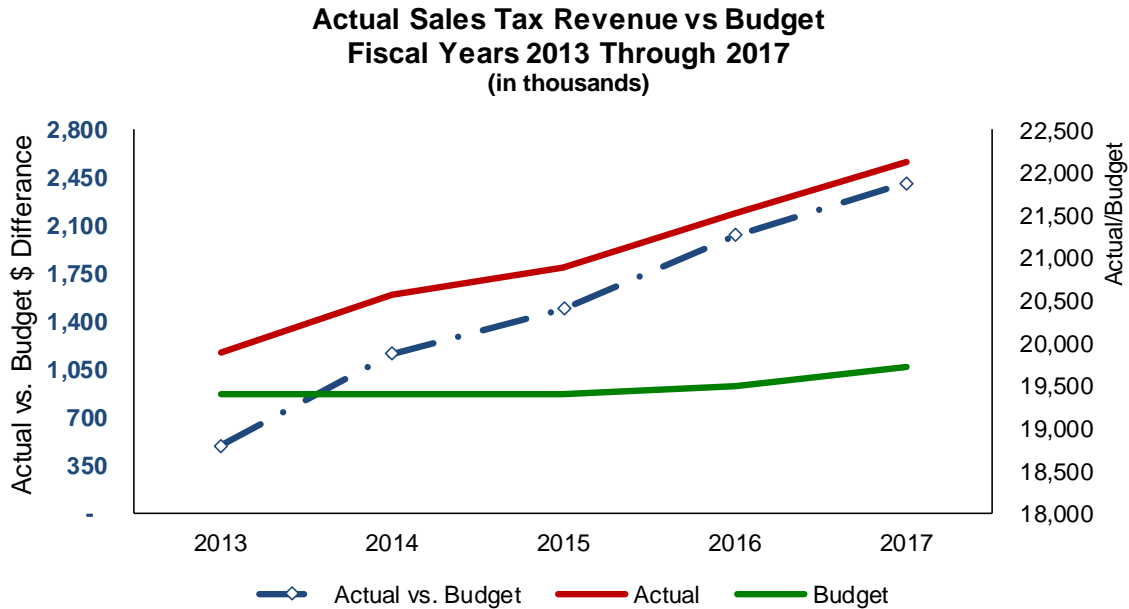
Sales Taxes

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 2013 through 2017.



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

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

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

For FY 2017, the University increased its budget of sales tax revenue by approximately \$200,000, compared to the FY 2016 budget, and collections exceeded that budget. Those gains occurred primarily in the first half of fiscal year 2017, then leveled out. Because of this, the University budgeted collections to remain flat for fiscal 2018.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Tuition

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

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

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

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

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

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

Requests For Information

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

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 1 Of 2

Assets And Deferred Outflows Of Resources

	June 30,	
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 21,130,629	\$ 16,400,067
Short-term investments	46,000	46,000
Taxes receivable	3,805,170	3,870,745
Accounts receivable, net of allowance of \$2,604,035 and \$2,380,583 in 2017 and 2016, respectively	7,641,252	9,177,576
Receivable from Washburn University Foundation	237,532	298,735
Other current receivables	300,000	300,000
Inventories	457,150	1,020,033
Other assets	1,227,744	1,385,491
Total Current Assets	34,845,477	32,498,647
Noncurrent Assets		
Restricted cash and cash equivalents	4,398,985	10,954,784
Perkins loans receivable	854,465	969,886
Receivable from Washburn University Foundation	38,774,859	31,248,853
Equity in the net assets of Washburn University Foundation	28,420,949	34,273,841
Endowment investments	281,150	259,256
Prepaid insurance costs	23,860	31,837
Capital assets, net	134,136,683	137,807,654
Total Noncurrent Assets	206,890,951	215,546,111
Total Assets	241,736,428	248,044,758
Deferred Outflows Of Resources		
Excess of bond reacquisition costs over carrying value	442,447	519,437

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 2 Of 2

Liabilities And Net Position

	June 30,	
	2017	2016
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,342,879	\$ 12,027,814
Accrued compensated absences, current portion	1,494,114	1,490,725
Accrued postemployment benefits	84,372	104,359
Unearned revenue	2,466,003	1,757,248
Capital lease obligation, current portion	620,558	606,849
Loans payable, current portion	45,635	58,001
Building revenue bonds, current portion	2,570,000	2,440,000
Deposits held in custody for others	231,717	225,105
Total Current Liabilities	14,855,278	18,710,101
Noncurrent Liabilities		
Accrued compensated absences	219,739	229,885
Accrued postemployment benefits	—	74,148
Unearned revenue	2,440,678	—
Capital lease obligation	7,031,305	7,651,863
Loans payable	45,635	91,270
Building revenue bonds	38,444,867	41,100,848
Total Noncurrent Liabilities	48,182,224	49,148,014
Total Liabilities	63,037,502	67,858,115
Net Position		
Net investment in capital assets	86,442,430	89,635,294
Restricted		
Nonexpendable		
Endowments	30,118,844	27,857,558
Expendable		
Scholarships, tuition and other	30,541,674	35,782,868
Loans	1,294,830	1,243,952
Self-insurance	4,093,862	5,234,532
Other	2,644,392	3,286,622
Unrestricted	24,005,341	17,665,254
Total Net Position	\$ 179,141,373	\$ 180,706,080

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

Assets

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 4,380,138	\$ 2,459,759
Investments	163,463,562	152,003,002
Bequests receivable	2,436,473	118,667
Pledges receivable	12,680,507	14,319,086
Accrued investment income receivable	86,071	79,992
Beneficial interests in trusts	7,365,580	8,205,333
Real estate, net	2,966,218	—
Equipment, net	82,387	70,186
Total Assets	\$ 193,460,936	\$ 177,256,025

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 566,666	\$ 326,330
Due to Washburn University of Topeka	237,532	298,735
Charitable gift liabilities	470,658	361,402
Funds managed on behalf of Washburn University of Topeka	33,246,839	31,248,853
Funds managed on behalf of Washburn Law School		
Foundation	6,926,086	6,274,276
Total Liabilities	41,447,781	38,509,596
Net Assets		
Unrestricted	7,739,028	4,395,726
Temporarily restricted	63,898,417	61,567,459
Permanently restricted	80,375,710	72,783,244
Total Net Assets	152,013,155	138,746,429
Total Liabilities And Net Assets	\$ 193,460,936	\$ 177,256,025

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

Assets

	June 30,	
	2017	2016
Investments held at Washburn University Foundation	\$ 6,926,086	\$ 6,274,276

Liabilities And Net Assets

Net Assets

Unrestricted	\$ 1,315,331	\$ 772,149
Temporarily restricted	404,788	347,118
Permanently restricted	5,205,967	5,155,009
Total Net Assets	6,926,086	6,274,276

Total Liabilities And Net Assets	\$ 6,926,086	\$ 6,274,276
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WASHBURN UNIVERSITY OF TOPEKA

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

Page 1 Of 2

	For The Years Ended June 30,	
	2017	2016
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$20,651,355 and \$20,548,776 in 2017 and 2016, respectively)	\$ 33,995,305	\$ 31,492,892
Federal grants and contracts	1,975	2,205
State and local grants and contracts	79,414	35,682
Sales and services of educational departments	1,396,694	1,214,181
Auxiliary enterprises		
Residential Living (net of scholarship allowances of \$310,726 and \$165,143 in 2017 and 2016, respectively; revenues are used as security for revenue bonds Series 2010, 2014, 2015A and 2015B)	3,787,528	3,080,509
Memorial Union (revenues are used as security for revenue bonds Series 2010)	3,628,645	3,524,876
Other operating revenues	884,166	745,334
Total Operating Revenues	43,773,727	40,095,679
Operating Expenses		
Educational and general		
Instruction	43,185,974	44,412,095
Research	166,548	212,316
Public service	3,210,244	3,444,283
Academic support	10,878,891	10,894,622
Student services	11,741,282	11,469,769
Institutional support	6,015,912	7,116,135
Operation and maintenance of plant	7,823,533	7,837,969
Depreciation	11,854,528	10,329,875
Financial aid	1,975,523	2,044,146
Auxiliary enterprises		
Residential Living	1,560,519	1,428,180
Memorial Union	3,430,479	3,468,695
Self-insurance claims, net of premiums	8,394,918	7,326,414
Total Operating Expenses	110,238,351	109,984,499
Operating Loss	(66,464,624)	(69,888,820)

WASHBURN UNIVERSITY OF TOPEKA

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

Page 2 Of 2

	For The Years Ended June 30,	
	2017	2016
Nonoperating Revenues (Expenses)		
State appropriations	\$ 17,814,777	\$ 18,194,582
Local appropriations	25,828,257	25,153,537
Federal grants and contracts	14,275,488	17,347,094
State and local grants and contracts	1,203,081	903,158
Nongovernmental grants and contracts	96,439	32,851
Gifts	2,020,217	3,788,133
Investment income	7,122,471	8,224,245
Interest on indebtedness	(1,539,978)	(1,203,063)
Other nonoperating expenses	(2,511,021)	(3,158,166)
Net Nonoperating Revenues	64,309,731	69,282,371
Loss Before Other Revenues	(2,154,893)	(606,449)
Capital Grants And Gifts - Non-Federal	242,590	316,000
Additions To Permanent Endowments	347,596	188,745
Decrease In Net Position	(1,564,707)	(101,704)
Net Position - Beginning Of Year	180,706,080	180,807,784
Net Position - End Of Year	\$ 179,141,373	\$ 180,706,080

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES - WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support And Revenues				
Support:				
Contributions	\$ 2,313,730	\$ 2,372,734	\$ 4,955,328	\$ 9,641,792
Change in beneficial interest	—	(67,217)	289,867	222,650
Total support	2,313,730	2,305,517	5,245,195	9,864,442
Revenues:				
Investment income (loss)	1,538,826	11,739,997	166,962	13,445,785
Administration	1,217,961	—	—	1,217,961
Events	108,700	—	—	108,700
Other	426,279	60,560	4,132	490,971
Total revenues	3,291,766	11,800,557	171,094	15,263,417
Net assets released from restrictions	7,814,054	(7,814,054)	—	—
Total Support And Revenue	13,419,550	6,292,020	5,416,289	25,127,859
Expenses				
Program services	6,745,171	—	—	6,745,171
Management and general	1,759,945	—	—	1,759,945
Fundraising	3,356,017	—	—	3,356,017
Total Expenses	11,861,133	—	—	11,861,133
Excess Of Revenues Over Expenses	1,558,417	6,292,020	5,416,289	13,266,726
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions				
	1,840,246	(1,840,246)	—	—
Other Fund Transfers, Net	(55,361)	(2,120,816)	2,176,177	—
Change In Net Assets	3,343,302	2,330,958	7,592,466	13,266,726
Net Assets - Beginning Of Year	4,395,726	61,567,459	72,783,244	138,746,429
Net Assets - End Of Year	\$ 7,739,028	\$ 63,898,417	\$ 80,375,710	\$ 152,013,155

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Contributions	\$ 126,774	\$ (132)	\$ 30,948	\$ 157,590
Return on investments	288,280	627,974	17,010	933,264
Nongift and other income	—	3,000	3,000	6,000
Net assets released from restriction	332,855	(332,855)	—	—
Total Support And Revenues	747,909	297,987	50,958	1,096,854
Expenses				
Program expenses				
Scholarships	186,640	—	—	186,640
General support of Law School	11,910	—	—	11,910
Management and general	246,494	—	—	246,494
Total Expenses	445,044	—	—	445,044
Excess (Deficit) Of Revenues Over Expenses	302,865	297,987	50,958	651,810
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	237,647	(237,647)	—	—
Other Interfund Transfers, Net	2,670	(2,670)	—	—
Change In Net Assets	543,182	57,670	50,958	651,810
Net Assets - Beginning Of Year	772,149	347,118	5,155,009	6,274,276
Net Assets - End Of Year	\$ 1,315,331	\$ 404,788	\$ 5,205,967	\$ 6,926,086

WASHBURN UNIVERSITY OF TOPEKA

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

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

WASHBURN UNIVERSITY OF TOPEKA

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

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

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

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	For The Years Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Tuition and fees	\$ 36,827,678	\$ 31,463,178
Grants and contracts	81,389	37,887
Auxiliary enterprise charges		
Residential Living	3,764,554	3,119,408
Memorial Union	3,638,234	3,506,505
Sales and services of educational departments	1,396,694	1,214,181
Collection of loans issued to students	101,352	79,052
Other receipts	359,754	3,710,319
Self-insurance premiums	943,550	844,745
Payments to suppliers	(26,788,740)	(17,205,500)
Payments to employees	(65,788,967)	(72,547,753)
Payments for scholarships and fellowships	(1,975,523)	(2,044,146)
Loans issued to students	14,069	(247,353)
Payments for self-insurance claims and administrative fees	(9,338,468)	(8,171,159)
Net Cash Used In Operating Activities	(56,764,424)	(56,240,636)
Cash Flows From Investing Activities		
Net purchase and sale of investments, including interest received	7,100,577	3,343,824
Cash Flows From Noncapital Financing Activities		
State appropriations	17,814,777	18,194,582
Local appropriations	27,096,913	25,749,368
Gifts and grants for other than capital purposes	16,392,144	21,168,078
Federal Family Education loan receipts	33,265,139	34,658,455
Federal Family Education loan disbursements	(34,638,330)	(35,347,320)
Agency account transactions	(2,504,409)	(3,139,473)
Net Cash Provided By Noncapital Financing Activities	57,426,234	61,283,690
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(7,550,011)	(34,029,129)
Gifts and grants for capital purposes	2,745,763	—
Principal paid on capital loans	(58,001)	(483,201)
Principal paid on capital lease	(606,849)	(593,443)
Principal paid on long-term debt	(2,525,981)	(1,950,000)
Interest paid on long-term debt	(1,592,545)	(1,725,598)
Net Cash Used In Capital And Related Financing Activities	(9,587,624)	(38,781,371)
Decrease In Cash And Cash Equivalents	(1,825,237)	(30,394,493)
Cash And Cash Equivalents - Beginning Of Year	27,354,851	57,749,344
Cash And Cash Equivalents - End Of Year	\$ 25,529,614	\$ 27,354,851

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

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	Ended June 30,	
	2017	2016
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (66,464,624)	\$ (69,888,820)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,854,528	10,329,875
Provision for uncollectible accounts receivable	1,483,588	488,209
Write-off of Perkins loans	14,065	9,250
Loss on disposal of fixed assets	3,116	1,102,560
Changes in assets and liabilities:		
Receivables, net	1,425,927	(1,382,545)
Receivables from Washburn University Foundation	(1,021,725)	2,233,952
Postemployment benefits	(94,135)	75,347
Inventories	562,883	64,984
Other assets	165,724	(329,747)
Perkins loans receivable	101,356	(177,551)
Accounts payable	(5,192,040)	780,893
Unearned revenue	403,670	513,623
Compensated absences	(6,757)	(60,666)
Net Cash Used In Operating Activities	\$ (56,764,424)	\$ (56,240,636)
Noncash Investing And Financing Transactions		
Change in fair value of investments	\$ 275,170	\$ (3,338,930)
Capitalization of interest	129,557	516,329
Capital gifts	—	316,000
Capital additions included in accounts payable	507,105	2,198,628

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 And 2016

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

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

Reporting Entity

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

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

Component Units

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

Discretely-Presented Component Units

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

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

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

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

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

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

WASHBURN UNIVERSITY OF TOPEKA

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. Other significant nonoperating expenses are uncapitalized capital asset expenditures and bond issuance costs.

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

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

Cash And Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Investments

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

Bond Issuance Costs

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

Capital Assets

Capital assets include land, buildings, furniture, equipment, vehicles, books and collections, works of art and construction in progress. Capital assets are defined as assets with an initial individual cost of more than \$100,000 for buildings, improvements and infrastructure, and \$5,000 for all other assets, and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition 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 \$129,557 and \$516,329 for the years ended June 30, 2017 and 2016, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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

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

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

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

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

Unearned Revenue

Unearned revenue at June 30, 2017, consists of unearned student fees of \$2,160,918 and deferred capital gifts of \$2,745,763. Unearned revenue at June 30, 2016 consisted of unearned student fees of \$1,757,248.

Compensated Absences

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

Other Postemployment Benefits And Early Retirement

Certain current and retired Washburn Tech employees are participants in the Topeka Public Schools (TPS) early retirement plan. The University assumed the liability for postemployment benefits of these employees at the time of the affiliation with Washburn Tech. Because the amount of the assumed liability is not available from TPS, the University calculated its liability of \$9,928 and \$19,376 at June 30, 2017 and 2016, respectively, using the alternative measurement method allowed by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, using demographic information provided by TPS. For purposes of applying GASB No. 45, the early retirement plan is treated as if it is a single-employer plan with fewer than 100 employees.

During the year ended June 30, 2016, the University offered an early retirement incentive to eligible employees. Benefits under this offer are accounted for in compliance with GASB Statement No. 47, *Accounting for Termination Benefits*. As of June 30, 2016, the liabilities included a current liability of \$2,797,232 within accounts payable and accrued liabilities on the statement of net position for cash payments due to participating employees as well as other postemployment benefits totaling \$159,131, of which \$74,148 is recognized as a noncurrent liability on the statement of net position. As of June 30, 2017, all cash payments to participating employees were completed and there were other postemployment benefits totaling \$74,743, of which \$12,582 is recognized as a noncurrent liability on the statement of net position.

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets

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

Restricted Net Position - Nonexpendable

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

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.

Tax Abatements

Tax abatement agreements entered into by Shawnee County have an immaterial impact on the University. There are no other tax abatements that impact the University.

Income Taxes

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

Fair Value Reporting

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

Use Of Estimates

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

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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

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

3. Cash And Investments

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

At June 30, 2017 and 2016, the University's cash and cash equivalents consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 21,130,629	\$ 16,400,067
Restricted cash and cash equivalents	4,398,985	10,954,784
	<u>\$ 25,529,614</u>	<u>\$ 27,354,851</u>

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

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

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

At June 30, 2017 and 2016, the University's cash and cash equivalents were held in the following institutions:

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	<u>2017</u>	<u>2016</u>
Deposits at financial institutions	\$ 13,062,058	\$ 6,707,644
Deposits in State of Kansas Municipal Investment Pool	<u>12,467,556</u>	<u>20,647,207</u>
	<u>\$ 25,529,614</u>	<u>\$ 27,354,851</u>

The University had no bank balances exposed to custodial credit risk at June 30, 2017 or 2016.

At June 30, 2017 and 2016, the University had the following short-term investments (which have an original maturity date of one year or less):

	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ 46,000	\$ 46,000

Investments

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

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2017 and 2016. 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, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Preferred stocks, carried at fair value (cost of \$0 for 2016 and 2015)	\$ 150	\$ 150
Mutual funds, carried at fair value (cost of \$235,385 and \$224,553 for 2017 and 2016, respectively)	<u>281,000</u>	<u>259,106</u>
	<u>\$ 281,150</u>	<u>\$ 259,256</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's mutual funds are due in less than one year. Credit risk is the risk that the University will not recover its investments due to the ability of the counterparty to fulfill their obligation. As of June 30, 2017, 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 \$12,467,556 and \$20,647,207, measured at amortized cost, at June 30, 2017 and 2016, respectively, were held in the KMIP Overnight Municipal Investment Pool (OMIP). Deposits in the OMIP are invested nightly by the KMIP in a transaction similar to a repurchase agreement with a bank. The University does not have securities specifically listed in its name as part of its participation in the OMIP, and money can be withdrawn without penalty daily. The KMIP is included within the Kansas Pooled Money Investment Portfolio, which is rated AAA by Standard & Poor's. The pool is managed and overseen by the Pooled Money Investment Board.

4. Receivable From Washburn University Foundation

Receivables from the Foundation consist of the University's participation in the investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of the Foundation's investments is recorded as a receivable from the Foundation. Receivables from the Foundation consisted of the following items held by the Foundation as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributions for scholarships and other activities	\$ 1,457,675	\$ 1,485,588
Held pledges receivable	58,612	30,695
Restricted endowment income	1,562,694	1,589,756
Unreimbursed operating expenses of the Foundation due to the University - Current	237,532	299,735
Unreimbursed operating expenses of the Foundation due to the University - Noncurrent	5,528,019	—
University endowment funds managed by the Foundation (see activity below)	30,167,859	28,142,814
	<u>\$ 39,012,391</u>	<u>\$ 31,548,588</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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

	<u>2017</u>	<u>2016</u>
Current receivable from		
Washburn University Foundation	\$ 237,532	\$ 299,735
Noncurrent receivable from		
Washburn University Foundation	<u>38,774,859</u>	<u>31,248,853</u>
	<u>\$ 39,012,391</u>	<u>\$ 31,548,588</u>

The University has transferred to the Washburn University Foundation certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Foundation. The activity of these assets at June 30, 2017 and 2016 and for the years then ended is as follows:

	<u>2017</u>	<u>2016</u>
Beginning principal transferred	<u>\$ 23,364,866</u>	<u>\$ 23,364,866</u>
Post-transfer additions, beginning of year	4,541,670	4,185,332
Earnings added to corpus during the year	159,511	167,593
Gifts received during the year	<u>347,596</u>	<u>188,745</u>
End of year, at cost	28,413,643	27,906,536
Cumulative net unrealized gains	<u>1,754,216</u>	<u>236,278</u>
End of year, at fair value	<u>\$ 30,167,859</u>	<u>\$ 28,142,814</u>

5. Equity In The Net Assets Of Washburn University Foundation

Contributions for specific capital projects, scholarships and other activities are being held and invested by the Foundation until the University requests the funds be transferred to the University. The University had a claim on the net assets of the Foundation in the amount of \$28,420,949 and \$34,273,841 as of June 30, 2017 and 2016, 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, 2017 and 2016:

	2017				Balance - June 30, 2017
	Balance - July 1, 2016	Additions	Retirements	Construction In Progress Placed In Service	
Capital assets, not being depreciated					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	2,689,354	—	—	—	2,689,354
Construction in progress	30,807,428	6,772,498	—	(33,963,390)	3,616,536
Total capital assets, not being depreciated	34,940,886	6,772,498	—	(33,963,390)	7,749,994
Capital assets, being depreciated					
Buildings, improvements and infrastructure	166,181,476	31,366,934	—	—	197,548,410
Furniture, fixtures and equipment	29,479,342	3,112,145	(39,692)	—	32,551,795
Computers and electronic equipment	18,596,022	655,435	(91,741)	—	19,159,716
Books and collections	21,114,382	57,871	—	—	21,172,253
Broadcasting tower, antenna and equipment	8,015,903	19,685	—	—	8,035,588
Vehicles	1,814,905	166,079	(15,580)	—	1,965,404
Total capital assets, being depreciated	245,202,030	35,378,149	(147,013)	—	280,433,166
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(78,076,340)	(8,027,055)	—	—	(86,103,395)
Furniture, fixtures and equipment	(20,031,592)	(2,221,669)	39,690	—	(22,213,571)
Computers and electronic equipment	(16,470,541)	(1,032,145)	91,159	—	(17,411,527)
Books and collections	(20,085,851)	(311,238)	—	—	(20,397,089)
Broadcasting tower, antenna and equipment	(6,711,124)	(107,369)	—	—	(6,818,493)
Vehicles	(959,814)	(155,052)	12,464	—	(1,102,402)
Total accumulated depreciation	(142,335,262)	(11,854,528)	143,313	—	(154,046,477)
Total capital assets being depreciated, net	102,866,768	23,523,621	(3,700)	—	126,386,689
Total capital assets	\$ 137,807,654	\$ 30,296,119	\$ (3,700)	\$ (33,963,390)	\$ 134,136,683

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

The University had approximately \$5,457,000 and \$6,938,000 at June 30, 2017 and 2016, respectively, in commitments for building construction and other contracts.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

7. Noncurrent Liabilities

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion	Noncurrent Portion
Bonds, capital leases and loans						
Building revenue bonds	\$ 42,520,000	\$ —	\$ 2,440,000	\$ 40,080,000	\$ 2,570,000	\$ 37,510,000
Capital lease	8,258,712	—	606,849	7,651,863	620,558	7,031,305
Loans payable	149,271	—	58,001	91,270	45,635	45,635
Total bonds, capital leases and loans	50,927,983	—	3,104,850	47,823,133	3,236,193	44,586,940
Other noncurrent liabilities						
Unamortized bond premium	1,020,848	—	85,981	934,867	—	934,867
Compensated absences	1,720,610	—	6,757	1,713,853	1,494,114	219,739
Postemployment benefits	178,507	—	94,135	84,372	84,372	—
Total other noncurrent liabilities	2,919,965	—	186,873	2,733,092	1,578,486	1,154,606
Total noncurrent liabilities	\$ 53,847,948	\$ —	\$ 3,291,723	\$ 50,556,225	\$ 4,814,679	\$ 45,741,546

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

Building Revenue Bonds

Revenue Bonds – Series 2015A

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

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

Revenue Bonds – Series 2015B

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

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

Refunding Revenue Bonds - Series 2014

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

The current refunding of the 2004 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$534,130, which is being amortized over the remaining life of the original bonds (through July 1, 2029). Amortization of this refunding cost during the years ended June 30, 2017 and 2016 was \$57,271 and \$61,599, respectively.

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

Building Refunding Revenue Bonds - Series 2004

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

Refunding Revenue Bonds - Series 2010

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

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

Capital Lease

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

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

Equipment capitalized under this lease agreement totaled \$12,661,501 at June 30, 2016. The project was completed in fiscal year 2016, therefore no additional equipment was capitalized in fiscal year 2017. The related accumulated depreciation totaled \$1,755,470 and \$1,205,155 at June 30, 2017 and 2016, respectively.

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 \$425,625 on June 30, 2015. The final payment was made on December 1, 2015, which was in fiscal year 2016.

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, 2017 and 2016 was 0.90% and 0.69%, respectively, and will reset on February 1, 2018. The balance of the loan was \$91,270 and \$136,904 on June 30, 2017 and 2016, respectively.

Other Equipment

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The annual requirements to repay all bonds, capital leases and loans outstanding at June 30, 2017, including interest payments, are as follows:

For The Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,236,193	\$ 1,595,840	\$ 4,832,033
2019	3,410,212	1,512,088	4,922,300
2020	2,978,912	1,409,974	4,388,886
2021	3,138,572	1,319,493	4,458,065
2022	3,323,562	1,217,202	4,540,764
2023 - 2027	11,984,792	4,801,413	16,786,205
2028 - 2032	8,135,890	3,133,819	11,269,709
2033 - 2037	6,565,000	1,777,230	8,342,230
2038 - 2041	5,050,000	515,000	5,565,000
	<u>\$ 47,823,133</u>	<u>\$ 17,282,059</u>	<u>\$ 65,105,192</u>

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, 2017 and 2016 was approximately \$4,363,000 and \$4,338,000 (net of participant forfeitures of \$105,000 and \$179,000), 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.

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 2017 and 2016, 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, 2017 and 2016 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Claims payable - beginning of year	\$ 565,514	\$ 692,319
Incurred claims	8,305,072	7,327,425
Claim payments	<u>(8,469,781)</u>	<u>(7,454,230)</u>
Claims payable - end of year	<u>\$ 400,805</u>	<u>\$ 565,514</u>

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

10. Litigation

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

11. Condensed Combining Statements

Condensed combining statements for the University and its blended component unit, Washburn Tech, are presented on the following pages for the years ended June 30, 2017 and 2016.

Condensed Combining Statements Of Net Position June 30, 2017

	University	Washburn Tech	Eliminations	Combined
Assets				
Current assets	\$ 32,620,546	\$ 2,224,931	\$ —	\$ 34,845,477
Noncurrent assets	197,818,372	9,072,579	—	206,890,951
Total Assets	230,438,918	11,297,510	—	241,736,428
Deferred Outflows Of Resources	442,447	—	—	442,447
Liabilities				
Current liabilities	14,176,978	678,300	—	14,855,278
Noncurrent liabilities	48,035,687	146,537	—	48,182,224
Total Liabilities	62,212,665	824,837	—	63,037,502
Net Position				
Net investment in capital assets	77,886,662	8,555,768	—	86,442,430
Restricted - nonexpendable	30,118,844	—	—	30,118,844
Restricted - expendable	38,184,832	389,926	—	38,574,758
Unrestricted	22,478,362	1,526,979	—	24,005,341
Total Net Position	\$ 168,668,700	\$ 10,472,673	\$ —	\$ 179,141,373

Condensed Combining Statements Of Net Position June 30, 2016

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

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, 2017

	University	Washburn Tech	Eliminations	Combined
Operating Revenues				
Tuition and fees	\$ 31,401,178	\$ 2,594,127	\$ —	\$ 33,995,305
Auxiliary enterprises	7,416,173	—	—	7,416,173
Other operating revenues	2,106,193	256,056	—	2,362,249
Total Operating Revenues	40,923,544	2,850,183	—	43,773,727
Operating Expenses				
Education and general	72,754,972	11,210,962	(943,550)	83,022,384
Depreciation	10,375,515	1,479,013	—	11,854,528
Financial aid	1,512,892	462,631	—	1,975,523
Auxiliary enterprises	4,990,998	—	—	4,990,998
Self-insurance claims, net of premiums	7,451,368	—	943,550	8,394,918
Total Operating Expenses	97,085,745	13,152,606	—	110,238,351
Operating Loss	(56,162,201)	(10,302,423)	—	(66,464,624)
Nonoperating Revenues (Expenses)				
State and local appropriations	37,297,652	6,345,382	—	43,643,034
Grants and contracts	12,817,417	2,757,591	—	15,575,008
Gifts	1,891,451	128,766	—	2,020,217
Investment income	7,111,058	11,413	—	7,122,471
Interest on indebtedness	(1,536,167)	(3,811)	—	(1,539,978)
Other nonoperating expenses	(2,601,595)	90,574	—	(2,511,021)
Total Nonoperating Revenues	54,979,816	9,329,915	—	64,309,731
Other Revenues				
Capital grants and gifts	242,590	—	—	242,590
Additions to permanent endowments	347,596	—	—	347,596
Total Other Revenues	590,186	—	—	590,186
Change In Net Position	(592,199)	(972,508)	—	(1,564,707)
Net Position - Beginning Of Year	169,260,899	11,445,181	—	180,706,080
Net Position - End Of Year	\$ 168,668,700	\$ 10,472,673	\$ —	\$ 179,141,373

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

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

Condensed Combining Statements Of Cash Flows For The Year Ended June 30, 2017

	University	Washburn Tech	Eliminations	Combined
Net Cash Provided (Used) By:				
Operating Activities	\$ (44,049,193)	\$ (12,715,231)	\$ —	\$ (56,764,424)
Investing Activities	7,015,370	85,207	—	7,100,577
Noncapital Financing Activities	44,103,348	13,322,886	—	57,426,234
Capital and Related Financing Activities	(8,811,026)	(776,598)	—	(9,587,624)
Increase (Decrease) In Cash And Cash Equivalents	(1,741,502)	(83,735)	—	(1,825,237)
Cash And Cash Equivalents - Beginning Of Year	25,740,955	1,613,896	—	27,354,851
Cash And Cash Equivalents - End Of Year	\$ 23,999,453	\$ 1,530,161	\$ —	\$ 25,529,614

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

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

12. Washburn University Foundation - Accounting Policies And Disclosures

Basis Of Presentation

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

Fair Value Measurement

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

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

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

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

Investments

Investments in equity securities with readily determinable values are reported at fair value. Investment in various hedge funds, commingled accounts, and limited partnerships are recorded at the net asset value per share, as a practical expedient to fair value, of the investments. Private placements 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Pledges Receivable

Pledges receivable include the following unconditional promises to give at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 345,599	\$ 36,105
Temporarily restricted	11,157,248	15,647,574
	5,325,273	2,175,484
Agency	100,110	82,552
	<u>16,928,230</u>	<u>17,941,715</u>
Pledges receivable - end of year	<u>\$ 16,928,230</u>	<u>\$ 17,941,715</u>

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

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 4,208,396	\$ 4,157,590
Receivable in one to five years	3,713,500	5,199,488
Thereafter	9,006,334	8,584,637
	<u>16,928,230</u>	<u>17,941,715</u>
Less: allowance for uncollectible pledges	201,834	207,682
Less: unamortized discount	4,045,889	3,414,947
	<u>12,680,507</u>	<u>14,319,086</u>
Pledges receivable - end of year	<u>\$ 12,680,507</u>	<u>\$ 14,319,086</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>2017</u>	<u>2016</u>
Pledges receivable, beginning	\$ 14,319,086	\$ 10,710,293
New pledges	3,622,036	7,847,076
Pledge payments	(4,434,929)	(4,358,096)
Pledges written off	(137,688)	(61,698)
Reclassifications and change in value	(687,998)	181,511
	<u>12,680,507</u>	<u>14,319,086</u>
Pledges receivable, ending	<u>\$ 12,680,507</u>	<u>\$ 14,319,086</u>

The Foundation reduced contribution income in 2017 by approximately \$1 million for a pledge that was previously recognized in 2016. Foundation management elected to de-recognize the pledge at this time given proposed changes in the scope and timing of the related University project.

WASHBURN UNIVERSITY OF TOPEKA

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, 2017, total investments were \$163,463,562, of which \$142,431,542 were carried at fair value and \$21,032,020 were carried at cost. As of June 30, 2016, total investments were \$152,003,002, of which \$129,920,974 were carried at fair value and \$22,082,028 were carried at cost.

	<u>2017</u>	<u>2016</u>
Investments carried at fair value:		
U.S. equity	\$ 6,314,681	\$ 33,425,863
International equity	6,705,882	22,966,964
Alternatives	—	15,504,631
Real assets	—	15,872,237
Fixed income	4,776,395	31,152,632
Life insurance policies	1,268,090	1,214,877
Other	341,770	367,781
<hr/>		
Total	19,406,818	120,504,985
<hr/>		
Investments at Net Asset Value (NAV)	123,024,724	9,415,989
<hr/>		
Total investments carried at fair value	\$ 142,431,542	\$ 129,920,974
<hr/>		

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.

	2017			Total
	Level 1	Level 2	Level 3	
Investments	\$ 13,020,563	\$ 6,044,485	\$ 341,770	\$ 19,406,818
Investments at NAV				123,024,724
Total investment carried at fair value				\$ 142,431,542

	2016			Total
	Level 1	Level 2	Level 3	
Investments	\$ 113,870,808	\$ 6,266,396	\$ 367,781	\$ 120,504,985
Total investment carried at fair value				120,504,985
Investments at NAV				9,415,989
Total investment carried at fair value				\$ 129,920,974

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

	2017	2016
Beginning fair value	\$ 367,781	\$ 399,422
Sales	(27,050)	(31,150)
Net change in unrealized (depreciation) appreciation	1,039	(491)
Ending fair value	\$ 341,770	\$ 367,781

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

	2017	2016
Investments carried at cost:		
Private equity investments	\$ 15,379,377	\$ 21,394,516
Private real estate investments	5,652,643	687,512
Total	\$ 21,032,020	\$ 22,082,028

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU applies to reporting entities that elect to measure the fair value of an investment using the Net Asset Value (NAV) per share (or its equivalent) practical expedient. It removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. This ASU is effective for reporting periods beginning after December 31, 2016, with early adoption permitted. The Foundation elected to early adopt the ASU in the year ended June 30, 2017, and has accordingly removed certain investments that are measured using the NAV practical expedient from the fair value hierarchy in all periods presented in the financial statements. These investments, by type, are outlined in the table below.

Description	Fair Value June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 27,339,567	None	Monthly, quarterly	1-45 days
International equity (b)	31,022,752	None	Semi-monthly, monthly, quarterly	20-45 days
Global equity (c)	8,725,040	None	Monthly	6 days
Alternatives (d)	31,116,655	None	Semi-monthly, monthly, quarterly, annually, 24 months	2-95 days
Public real estate (e)	8,898,195	None	Monthly	16-30 days
Fixed income (f)	<u>15,922,515</u>	None	Daily	2 days
	<u>\$ 123,024,724</u>			

Description	Fair Value June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternatives (d)	\$ 9,415,989	None	Annually	90-95 days

- (a) This category includes investments in offshore funds and commingled accounts with strategies including U.S. Small Company Value, Opportunistic, and 130/30.
- (b) This category includes investments in offshore funds, commingled accounts, and limited partnerships with strategies including Global ex U.S. Diverse, Global ex U.S. Growth, Emerging Markets Equity, and Asia Pacific ex Japan.
- (c) This category includes an investment in a commingled account with a Global Value strategy.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

- (d) This category includes investments in hedge funds with strategies including Long/Short Equity Fund of Funds; Multi-Strategy, Event Driven; Multi-Strategy, Fixed Income Arbitrage; Multi-Strategy, Credit; Global Macro, CTA; Global Macro, Diversified. Certain funds may have the ability to impose suspension or postponement of redemptions until further notice (a Gate). In addition, certain funds may delay payment of a portion of redemption proceeds (a Holdback) until the annual audited financial statements are distributed.
- (e) This category includes investments in commingled accounts and a limited partnership with strategies including Global REIT and Sector-Specific strategy.
- (f) This category includes a commingled account with an Intermediate-Term strategy.

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies. 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 does not consider these investments to be permanently impaired at June 30, 2017.

The following shows the gross unrealized losses and fair value of the Foundation's private placement investments with unrealized losses, aggregated by investment category and length of time that individual investments have been in a continuous unrealized loss position at June 30, 2017:

	1 - 9 Years	
	Fair Value	Unrealized Losses
Private equity	\$ 6,548,412	\$ (3,184,777)
Venture capital	1,463,576	(723,468)
Natural resources	4,692,206	(451,356)

The Foundation has committed a total of \$48,500,000 to the private placement investment funds above. Unfunded commitments were approximately \$12,100,000 at June 30, 2017.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Amounts included in net investment income for the years ended June 30, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 3,136,254	\$ 5,644,851
Net realized (loss) gain	249,029	(1,303,976)
Change in net unrealized gain	10,590,807	(6,538,057)
Investment expense	(530,305)	(181,358)
	<u>\$ 13,445,785</u>	<u>\$ (2,378,540)</u>

Beneficial Interests In Trusts

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

	<u>2017</u>	<u>2016</u>
Perpetual trusts	\$ 5,093,648	\$ 4,837,328
Charitable remainder trusts	144,264	906,171
Charitable lead trust	2,127,668	2,461,834
	<u>\$ 7,365,580</u>	<u>\$ 8,205,333</u>

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

	<u>2017</u>	<u>2016</u>
Beginning fair value	\$ 8,205,333	\$ 8,744,434
Distributions to Foundation	(577,621)	(599,349)
Termination of trust interest and transfer	(877,825)	—
New trust	100,000	—
Change in value in beneficial interest	515,693	60,248
Ending fair value	<u>\$ 7,365,580</u>	<u>\$ 8,205,333</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Net Assets And Agency Funds

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

	2017					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 48,559,716	\$ 19,434,167	\$ —	\$ 67,993,883	\$ 26,592,094	\$ 94,585,977
Student support	815,903	402,655	—	1,218,558	82,644	1,301,202
Program support	10,296,603	13,694,298	—	23,990,901	3,331,826	27,322,727
Faculty support	3,788,088	2,014,134	—	5,802,222	231,613	6,033,835
Professorship/Chairs	9,612,233	1,825,900	—	11,438,133	4,429,939	15,868,072
Capital	1,521,158	18,027,485	—	19,548,643	119,825	19,668,468
Area of greatest need	5,782,009	8,499,778	7,739,028	22,020,815	5,384,984	27,405,799
	\$ 80,375,710	\$ 63,898,417	\$ 7,739,028	\$ 152,013,155	\$ 40,172,925	\$ 192,186,080

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

Endowment Funds

The Foundation's endowment consists of approximately 700 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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;
- (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:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (5,961,132)	\$ 22,250,588	\$ 66,700,258	\$ 82,989,714

WASHBURN UNIVERSITY OF TOPEKANotes to Financial Statements *(Continued)*

Changes in endowment net assets for the year ended June 30, 2017:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (7,573,230)	\$ 19,267,899	\$ 63,718,712	\$ 75,413,381
Investment return:				
Investment income	43,822	1,772,988	170,407	1,987,217
Net depreciation	1,864,116	6,170,850	—	8,034,966
Total investment return	1,907,938	7,943,838	170,407	10,022,183
Contributions	—	—	2,811,139	2,811,139
Appropriation of endowment assets for expenditure	(713,287)	(4,543,702)	—	(5,256,989)
Other changes:				
Release from time restriction	417,447	(417,447)	—	—
Endowment net assets, end of year	\$ (5,961,132)	\$ 22,250,588	\$ 66,700,258	\$ 82,989,714

Endowment net asset composition by type of fund:

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

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

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

	2017	2016
Permanently restricted endowment net assets	\$ 66,700,258	\$ 63,718,712
Permanently restricted pledges receivable	6,422,091	1,733,324
Permanently restricted beneficial interests in trusts	7,253,361	7,331,208
	\$ 80,375,710	\$ 72,783,244

Related Party

The Foundation and the University have an 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2017</u>	<u>2016</u>
Fair market value of agency accounts - beginning of year	\$ 37,523,129	\$ 41,766,337
Contributions	844,081	350,166
Non-gift income and transfers	1,120	39,247
Net investment (loss) income	5,286,246	(940,840)
Distributions	(2,263,690)	(2,470,143)
Expense allocation for administration	(1,217,961)	(1,221,638)
Fair market value of agency accounts - end of year	<u>\$ 40,172,925</u>	<u>\$ 37,523,129</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, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 201,238	\$ 388,006
Realized (loss) gain	18,685	(98,261)
Unrealized loss	713,341	(490,705)
	<u>\$ 933,264</u>	<u>\$ (200,960)</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

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For The Year Ended June 30, 2017

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Student Financial Aid Cluster					
Washburn University					
Federal Direct Student Loans	U.S. Department of Education		84.268	\$ 32,148,876	\$ —
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education		84.007	252,938	—
Federal Work-Study Program	U.S. Department of Education		84.033	279,038	—
Federal Perkins Loan Program	U.S. Department of Education		84.038	854,379	—
Federal Pell Grant Program	U.S. Department of Education		84.063	7,583,171	—
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education		84.379	7,448	—
Federal Family Education Loan Program - Lenders	U.S. Department of Education		84.032	1,335	—
Washburn Institute Of Technology					
Federal Direct Student Loans	U.S. Department of Education		84.268	1,938,289	—
Federal Work-Study Program	U.S. Department of Education		84.033	11,741	—
Federal Pell Grant Program	U.S. Department of Education		84.063	1,290,921	—
Total Student Financial Aid Cluster				<u>44,368,136</u>	<u>—</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

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For The Year Ended June 30, 2017

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Other U.S. Department Of Education					
Washburn University					
Perkins IV Program Improvement	U.S. Department of Education/ Kansas Board of Regents	V048A140016	84.048	\$ 48,774	\$ —
Washburn Institute Of Technology					
Perkins IV Program Improvement	U.S. Department of Education/ Kansas Board of Regents	V048A140016	84.048	230,048	—
Perkins Leadership Outcome Metrics	U.S. Department of Education/ Kansas Board of Regents	V048A140016-14A	84.048A	650	—
Perkins Reserve - Surgical Technology	U.S. Department of Education/ Kansas Board of Regents	V048A140016 & V048A150016	84.048A	35,050	—
Perkins Leadership Work Ethics	U.S. Department of Education/ Kansas Board of Regents	V048A140016 & V048A150016	84.048A	65,964	—
Subtotal 84.048 and 84.048A				<u>380,486</u>	—
Improved Reentry Education	U.S. Department of Education	V191D150012	84.191D	352,458	—
USD 501 Adult Bridge Expanded	U.S. Department of Education/ Topeka Public Schools	V002A150016	84.002A	84,598	—
Total Other U.S. Department Of Education				<u>817,542</u>	—
Total U.S. Department Of Education				<u>45,185,678</u>	—

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

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For The Year Ended June 30, 2017

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Washburn University					
PROLoG - Promoting Rule of Law in Georgia	USAID passed thru East-West Mgt Institute	AID-114-A-15-00004	98.001	\$ 75,077	\$ —
Washburn University					
Violence Against Women	U.S. Department of Justice	2015-WA-AX-0011	16.525	71,498	—
Federal Victims of Crime Act	U.S. Department of Justice/ Kansas Governor's Grant Program	2015-VA-GX-0027	16.575	15,755	—
Total U.S. Department Of Justice				<u>87,253</u>	<u>—</u>
Research And Development Cluster					
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services / University of Kansas Medical Center	2 P20 GM103418-14	93.389	76,550	—
Terrestrial Impact of Nearby Supernovae	NASA	NNX14AK22G	43.001	105,692	93,067
Total Research And Development Cluster				<u>182,242</u>	<u>93,067</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

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For The Year Ended June 30, 2017

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Washburn Institute Of Technology KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	\$ 424,048	\$ 249,661
Washburn University KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	1,999,837	422,884
SAS KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	40,773	4,103
Total U.S. Department Of Labor				2,464,658	676,648
Washburn University Small Business Development Center	Small Business Administration/ Fort Hays State University	SBAHQ-15-B-0001/0001	59.037	84,897	—
Washburn University Nursing HRSA Traineeship	U.S. Department of Health and Human Services	6 A10HP25112-04-01	93.358	281,400	—
Total				\$ 48,361,205	\$ 769,715

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 5 Of 5

For The Year Ended June 30, 2017

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 Number</u>	<u>Amount</u>
Terrestrial Impact of Nearby Supernovae	University of Kansas	43.001	\$ 62,132
Terrestrial Impact of Nearby Supernovae	MidAmerica Nazarene University	43.001	30,935
KanTRAIN DOLETA Grant	Flint Hills Technical College	17.282	249,661
KanTRAIN DOLETA Grant	Garden City Community College	17.282	422,884
KanTRAIN DOLETA Grant	Wichita Area Technical College	17.282	4,103

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2017

1. This schedule includes the federal awards activity of Washburn University of Topeka and of Washburn Institute of Technology and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. The federal Family Education Loan Program-Lenders and federal Perkins Loan Program listed in the schedule of expenditures of federal awards is administered directly by Washburn University of Topeka or Washburn Institute of Technology, and balances and transactions relating to these programs are included in the Washburn University of Topeka's basic financial statements (which include Washburn Institute of Technology as a blended component unit). Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding related to the federal Family Education Loan Program-Lenders was \$1,335 as no new loans were issued during the year ended June 30, 2017. The balance of loans outstanding related to the Perkins Loan Program was \$854,379 as no new loans were issued during the year ended June 30, 2017.

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, 2017.

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

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

Board of Regents
Washburn University of Topeka
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the year ended June 30, 2017, 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 21, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be a significant deficiency.

Compliance And Other Matters

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

University's Response To Finding

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

Purpose Of This Report

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

RubinBrown LLP

December 21, 2017

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

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Report On Compliance For Each Major Federal Program

We have audited Washburn University of Topeka's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion On Each Major Federal Programs

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2017.

Other Matters

This report is replacing a previously issued report dated December 21, 2017. Subsequent to the date of the original compliance report, it was determined that the expenditures of CFDA# 84.048A should be included within the population of expenditures eligible for testing under the major program CFDA# 84.048. Testing over those additional expenditures was subsequently performed. The change from the previously issued report includes the identification of CFDA# 84.048A as part of the CFDA# 84.048 major program.

Report On Internal Control Over Compliance

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

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

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

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

RubinBrown LLP

December 21, 2017, except for CFDA# 84.048, for which the date is February 21, 2018

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Noncompliance considered material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

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

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

Identification of major programs:

Cluster/Program	CFDA Number
Student Financial Aid Cluster:	
Federal Direct Student Loans	84.268
Federal Supplemental Educational Opportunity Grant Program	84.007
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
Federal Family Education Loan Program-Lenders	84.032

Perkins IV Program Improvement 84.048, 84.048A

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

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

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)* For The Year Ended June 30, 2017

Section II - Financial Statement Findings

Finding 2017-001 – Significant Deficiency

Criteria: Generally Accepted Accounting Principles require the recognition of revenue after the earnings process is complete.

Condition: The University has adjusted the financial statements for the year ended June 30, 2017 because certain revenue was recognized prior to the completion of the earnings process.

Context: Certain contributions of cash and capital improvements included a provision that requires a return of the unamortized amount of the contribution in the event of specific actions taken by either party prior to dates specified in the contribution agreements.

Effect: The University has evaluated the underlying amortization requirements and has determined that the unamortized portions of the contributions should be presented as unearned revenue. The impact of the adjustment was to increase unearned revenue at the end of 2017 by \$2,745,763, to decrease capital grants and gifts - nonfederal by (\$2,745,763), and reduce total net position, end of year by (\$2,745,763).

Cause: The University did not have proper processes and related controls in place to properly evaluate and record contributions of cash and capital improvements that include a provision that requires a return of the unamortized amount of the contribution in the event of specific actions taken by either party prior to dates specified in the contribution agreements.

Recommendation: The Finance Department should review and consider revisions to its processes and related controls in place to evaluate and record contributions of cash and capital improvements that include a provision that requires a return of the unamortized amount of the contribution in the event of specific actions taken by either party prior to dates specified in the contribution agreements.

Corrective Action Plan (Unaudited): Significant non-standard contracts will be reviewed by the Associate Vice President and Director of Finance to evaluate the impact on the Financial Statements.

Completion Date: January 1, 2018

Contact Person: Associate Vice President and Director of Finance

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
For The Year Ended June 30, 2017

Section III - Federal Award Findings And Questioned Costs

None



Vice President for Administration and Treasurer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2017**

Finding No.	CFDA No.	Program	Condition	Current Year Status
2016-001	N/A	N/A	Two errors were noted by the auditors in year-end adjustments made to the University's general ledger. The first was an error in the calculation of the University's allowance for doubtful accounts which resulted in a \$118,925 overstatement of net accounts receivable. The second error was a \$575,035 understatement of accrued wages.	Corrective action taken
2016-002	N/A	N/A	The University does not have resources in place to effectively operate and maintain internal controls that address the risks around financial reporting.	Corrective action taken
2016-003	84.268 84.007 84.033 84.038 84.063 84.379	Student Financial Aid Cluster	The University did not conduct exit interviews or provide loan counseling materials within the 30-day timeframe for five graduating students from a sample of 40 withdrawing or graduating students tested.	Corrective action taken



Vice President for Administration and Treasurer

CORRECTIVE ACTION PLAN

Finding: 2017-001

Corrective Action Planned: Significant non-standard contracts will be reviewed by the Associate Vice President and Director of Finance to evaluate the impact on the Financial Statements.

Anticipated Completion Date: January 1, 2018

Contact Person Responsible: Associate Vice President and Director of Finance

WASHBURN UNIVERSITY OF TOPEKA

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

General Fund

For The Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 49,143,788	\$ 47,098,979	\$ (2,044,809)
Income from endowment fund	878,636	443,566	(435,070)
Sales tax and other taxes	18,567,818	18,567,819	1
State aid	11,424,655	11,424,883	228
Other income	3,314,699	3,352,355	37,656
Use of reserves	2,827,222	—	(2,827,222)
Transfer from smoothing fund	—	—	—
Auxiliary enterprises	9,213,826	7,880,246	(1,333,580)
Total Revenues	<u>95,370,644</u>	<u>88,767,848</u>	<u>(6,602,796)</u>
Expenditures			
Instruction	41,331,687	39,471,399	(1,860,288)
Public service, academic support and research	14,403,168	13,379,669	(1,023,499)
Student services	9,341,727	9,222,653	(119,074)
Institutional support	6,543,938	6,580,448	36,510
Maintenance of plant	8,249,936	7,245,730	(1,004,206)
Scholarships and fellowships	3,403,236	3,112,668	(290,568)
Other expenses and transfers	2,883,126	1,840,146	(1,042,980)
Contingency	4,000,000	—	(4,000,000)
Auxiliary enterprises	10,613,826	7,952,808	(2,661,018)
Total Expenditures	<u>100,770,644</u>	<u>88,805,521</u>	<u>\$ 11,965,123</u>
Decrease In Fund Balance	<u>\$ (5,400,000)</u>	(37,673)	
Fund Balance - Beginning Of Year		<u>14,391,474</u>	
Fund Balance - End Of Year		<u>\$ 14,353,802</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

Debt Retirement And Construction Fund

For The Year Ended June 30, 2017

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,778,222	\$ 3,607,375	\$ (170,847)
Transfer from other funds	500,000	449,000	(51,000)
Transfer from other funds - debt service	4,404,947	4,390,608	(14,339)
Total Revenues	<u>8,683,169</u>	<u>8,446,983</u>	<u>(236,186)</u>
Expenditures			
Bond principal	2,440,000	2,440,000	—
Lease principal	582,718	606,849	(24,131)
Interest and commissions on bonds	1,679,901	1,666,737	13,164
Transfers for construction, repairs or equipping of new or existing buildings	3,575,000	3,005,000	570,000
Total Expenditures	<u>8,277,619</u>	<u>7,718,586</u>	<u>\$ 559,033</u>
Increase In Fund Balance	<u>\$ 405,550</u>	728,397	
Fund Balance - Beginning Of Year		<u>(632,373)</u>	
Fund Balance - End Of Year		<u>\$ 96,024</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 3 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Employee Benefits Contribution Fund
For The Year Ended June 30, 2017**

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

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 4 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Tort Claim Liability Fund
For The Year Ended June 30, 2017**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 372,596	\$ 355,784	\$ (16,812)
Investment income	5,000	—	(5,000)
Total Revenues	<u>377,596</u>	<u>355,784</u>	<u>(21,812)</u>
Expenditures			
Insurance premium	355,000	271,707	83,293
Litigation expense	250,000	—	250,000
Miscellaneous expense	75,000	253,263	(178,263)
Contingency	350,000	—	350,000
Total Expenditures	<u>1,030,000</u>	<u>524,970</u>	<u>\$ 505,030</u>
Decrease In Fund Balance	<u>\$ (652,404)</u>	(169,187)	
Fund Balance - Beginning Of Year		<u>1,263,644</u>	
Fund Balance - End Of Year		<u>\$ 1,094,457</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 5 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET**

**Sales Tax Smoothing Fund
For The Year Ended June 30, 2017**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ 1,500,000	\$ 2,407,280	\$ 907,280
Expenditures			
Transfer to building construction fund	1,300,000	449,000	851,000
Transfer to general fund	500,000	—	500,000
Transfer to capital improvement fund	500,000	—	500,000
Transfer to debt retirement & construction fund	500,000	—	500,000
Contingency	1,500,000	—	1,500,000
Total Expenditures	<u>4,300,000</u>	<u>449,000</u>	<u>\$ 3,851,000</u>
Increase (Decrease) In Fund Balance	<u>\$ (2,800,000)</u>	1,958,280	
Fund Balance - Beginning Of Year		<u>6,966,028</u>	
Fund Balance - End Of Year		<u>\$ 8,924,308</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 6 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET**

Capital Improvement Fund

For The Year Ended June 30, 2017

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
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)
Total Revenues	<u>1,640,000</u>	<u>890,000</u>	<u>(750,000)</u>
Expenditures			
Capital expenses	250,000	—	250,000
Non-mandatory transfers	890,000	890,000	—
Contingency	500,000	—	500,000
Total Expenditures	<u>1,640,000</u>	<u>890,000</u>	<u>\$ 750,000</u>
Decrease In Fund Balance	<u>\$ —</u>	—	
Fund Balance - Beginning Of Year		<u>392,134</u>	
Fund Balance - End Of Year		<u>\$ 392,134</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

Washburn Institute Of Technology
For The Year Ended June 30, 2017

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 4,013,506	\$ 3,624,142	\$ (389,364)
Vocational state aid	6,269,135	6,181,244	(87,891)
Vocational capital outlay	163,898	164,138	240
Interest on investments	5,000	9,913	4,913
Other sales and services	100,000	335,069	235,069
Use of reserves	750,000	—	(750,000)
Total Revenues	11,301,539	10,314,506	(987,032)
 Expenditures			
Instruction	6,442,209	6,548,427	(106,218)
Academic support	739,584	694,665	44,919
Student services	1,016,186	955,546	60,640
Institutional support	426,290	391,523	34,767
Maintenance of plant	1,390,227	1,237,388	152,839
Other expenses and transfers	1,287,043	540,587	746,456
Contingency	500,000	—	500,000
Total Expenditures	11,801,539	10,368,136	\$ 1,433,404
Decrease In Fund Balance	\$ (500,000)	(53,629)	
Fund Balance - Beginning Of Year		1,989,974	
Fund Balance - End Of Year		\$ 1,936,345	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES -

2010 BOND ISSUE

For The Year Ended June 30, 2017

And Since Project Inception

	For The Year Ended June 30, 2017	Project Inception To June 30, 2017
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 13,500,000
Transfer for debt service	244,280	1,319,280
Original issue premium on bonds	—	16,170
Total Revenues And Other Additions	<u>244,280</u>	<u>14,835,450</u>
Expenditures And Other Deductions		
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	244,280	1,319,280
Total Expenditures And Other Deductions	<u>244,280</u>	<u>14,826,870</u>
Cash Receipts Over Expenditures	—	<u><u>\$ 8,580</u></u>
Cash And Investments - Beginning Of Year	<u>8,580</u>	
Cash And Investments - End Of Year	<u><u>\$ 8,580</u></u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 9 - CASH RECEIPTS AND EXPENDITURES -

2014 BOND ISSUE

For The Year Ended June 30, 2017

And Since Project Inception

	For The Year Ended June 30, 2017	Project Inception To June 30, 2017
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 9,655,000
Transfers for debt service	235,531	1,155,531
Cash provided to refund Series 2004 Bonds	—	63,625
Transfer from Series 2004 Bonds	—	2,231
Original issue premium on bonds	—	342,800
Total Revenues And Other Additions	<u>235,531</u>	<u>11,219,187</u>
Expenditures And Other Deductions		
Bond issuance costs	—	122,668
Amount paid to refund Series 2004 bonds	—	9,935,000
Interest expense paid	235,531	1,155,531
Total Expenditures And Other Deductions	<u>235,531</u>	<u>11,213,199</u>
Cash Receipts Over Expenditures	—	<u>\$ 5,988</u>
Cash And Investments - Beginning Of Year	<u>5,988</u>	
Cash And Investments - End Of Year	<u>\$ 5,988</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 10 - CASH RECEIPTS AND EXPENDITURES -

2015 SERIES A BOND ISSUE For The Year Ended June 30, 2017 And Since Project Inception

	For The Year Ended June 30, 2017	Project Inception To June 30, 2017
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 20,105,000
Transfers for debt service	851,618	991,618
Original issue premium on bonds	—	803,210
Total Revenues And Other Additions	<u>851,618</u>	<u>21,899,828</u>
Expenditures And Other Deductions		
Bond issuance costs	—	239,969
Transfer to project fund	—	19,800,000
Interest capitalized to bond principal	—	865,811
Interest expense paid	851,618	991,618
Total Expenditures And Other Deductions	<u>851,618</u>	<u>21,897,398</u>
Cash Receipts Over Expenditures	—	<u>\$ 2,430</u>
Cash And Investments - Beginning Of Year	<u>2,430</u>	
Cash And Investments - End Of Year	<u>\$ 2,430</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 11 - CASH RECEIPTS AND EXPENDITURES -
2015 SERIES B BOND ISSUE
For The Year Ended June 30, 2017
And Since Project Inception**

	For The Year Ended June 30, 2017	Project Inception To June 30, 2017
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 7,070,000
Transfer for debt service	152,111	457,111
Total Revenues And Other Additions	<u>152,111</u>	<u>7,527,111</u>
Expenditures And Other Deductions		
Bond issuance costs	—	68,983
Transfer to project fund	—	7,000,000
Interest expense paid	152,111	457,111
Total Expenditures And Other Deductions	<u>152,111</u>	<u>7,526,094</u>
Cash Receipts Over Expenditures	—	<u>\$ 1,017</u>
Cash And Investments - Beginning Of Year	<u>1,017</u>	
Cash And Investments - End Of Year	<u>\$ 1,017</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 12 - OPERATIONS OF THE LIVING LEARNING CENTER For The Year Ended June 30, 2017

Revenues

Room rental	\$ 1,655,012
Less: vacancy loss	<u>(311,341)</u>
Net income from room rental	1,343,671
Receipts from coin machines, forfeited initial pay, guests, etc.	<u>73,376</u>
Total Revenues	<u><u>1,417,047</u></u>

Expenditures

Salaries, director and resident assistants	79,773
Salaries, custodial	111,973
Benefits	10,962
Scholarships	67,543
Insurance	23,229
Utilities, telephone and cable	281,417
Repairs and operating supplies	17,436
Contracted services	9,184
Architects and Engineers	<u>1,269</u>
Total Expenditures	<u><u>602,785</u></u>

Net Operating Income 814,262

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

Excess Of Cash Receipts Over Expenditures \$ 277,887