

Washburn University of Topeka

Accountants' Report and Financial Statements
(Including Reports Required Under OMB-133)

June 30, 2005 and 2004



Washburn University of Topeka
June 30, 2005 and 2004

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Regents
Washburn University of Topeka
Topeka, Kansas

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 year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Washburn Endowment Association (total assets of \$123,952,210 as of June 30, 2005 and total revenue of \$14,510,950 for the year then ended) or the Washburn Law School Foundation (total assets of \$9,002,059 as of June 30, 2005 and total revenue of \$1,127,695 for the year then ended) the discretely presented component units. Those financial statements were audited by other accountants whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Washburn Endowment Association and the Washburn Law School Foundation, is based solely on the reports of other accountants. The financial statements of the University as of and for the year ended June 30, 2004, were audited by other accountants whose report dated November 4, 2004, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for 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 of material misstatement. The financial statements of Washburn Endowment Association and Washburn Law School Foundation were not audited in accordance with *Government Auditing Standards* and the applicable provisions of the Kansas Municipal Audit Guide. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of Washburn University of Topeka and its discretely presented component units, as of June 30, 2005 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, 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 should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the University's financial statements. The accompanying supplemental information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other accountants in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other accountants, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

BKD, LLP

Kansas City, Missouri
September 27, 2005, except for information related to
Washburn Law School Foundation as to which
the date is October 26, 2005

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

This section of Washburn University's (the University) annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2005 and comparative data for the fiscal years ended June 30, 2004 and 2003. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and footnotes, and 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. In January 2004, Washburn University engaged an accounting firm to perform an assessment relative to the maintenance of effective internal controls over financial reporting and transaction processing. The assessment included a review of the following: (1) maintenance of records that in reasonable detail accurately reflect the transactions and dispositions of the University's assets; (2) policies and procedures that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with relevant accounting principles generally accepted in the United States of America; and (3) University receipts and expenditures are made only in accordance with authorizations of management and the Board of Regents. The assessment revealed no material weaknesses relative to the University's internal control system. 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.

During fiscal year 2003, the University adopted the financial reporting format required by the Governmental Accounting Standards Board's Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by subsequent GASB Statements No. 37 and No. 38.

During fiscal year 2005, the University adopted the reporting format for deposits of state and local governments, including colleges and universities, required by the Governmental Accounting Standards Board's Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

The University is also presenting the Washburn Endowment Association and the Washburn Law School Foundation as component units of the University in compliance with the Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*, and in compliance with the Governmental Accounting Standards Board's Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14.

Using This Annual Report

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 Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities. In addition to these three basic financial statements, this report contains notes to the financial statements, required supplementary information, and other supplementary schedules as appropriate.

Financial Highlights for Fiscal Year Ended June 30, 2005

The University's financial position remained strong at June 30, 2005, with total assets of \$163.4 million and liabilities of \$36.7 million compared to \$158.8 million and \$38.6 million at June 30, 2004, respectively. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, are \$126.7 million at June 30, 2005. This is a 5.4 percent increase over last fiscal year's net assets of \$120.2 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$38.8 million and operating expenses were \$74.9 million, resulting in a loss from operations of \$36.1 million. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 35 does not present a complete picture of University operations until combined with nonoperating revenues. Nonoperating revenues, including the state operating grant and local appropriations (sales tax), net of nonoperating expenses, were \$39.9 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$6.6 million compared to \$4.9 million for the year ended June 30, 2004.

Financial Highlights for Fiscal Year Ended June 30, 2004

The University's financial position remained strong at June 30, 2004, with total assets of \$158.8 million and liabilities of \$38.6 million. Net assets were \$120.2 million. This is a 4.3 percent increase over June 30, 2003 net assets of \$115.3 million.

Operating revenues were \$34.0 million and operating expenses were \$69.6 million, resulting in a loss from operations of \$35.6 million. Nonoperating revenues, net of nonoperating expenses, were \$38.1 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$4.9 million.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values or historical cost.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the University.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in capital assets - the property, plant and equipment owned by the University. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources (endowment funds) is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as specified by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available for use by the University for any legal purpose.

Condensed Statements of Net Assets
As of June 30, 2005, 2004 and 2003

	2005	2004	2003
Assets			
Current assets	\$ 45,589,666	\$ 46,967,787	\$ 52,450,333
Capital assets, net	74,629,941	70,033,055	58,131,674
Other assets	43,217,342	41,818,932	43,310,652
Total assets	<u>163,436,949</u>	<u>158,819,774</u>	<u>153,892,659</u>
Liabilities			
Current liabilities	6,171,866	7,062,896	5,920,035
Noncurrent liabilities	30,524,903	31,580,705	32,704,836
Total liabilities	<u>36,696,769</u>	<u>38,643,601</u>	<u>38,624,871</u>
Total net assets	<u>\$ 126,740,180</u>	<u>\$ 120,176,173</u>	<u>\$ 115,267,788</u>
Net Assets consists of			
Invested in capital assets, net of debt	\$ 43,260,235	\$ 38,848,944	\$ 31,529,578
Restricted - nonexpendable	37,129,903	37,016,682	35,225,595
Restricted - expendable	33,025,472	23,399,379	25,995,566
Unrestricted	13,324,570	20,911,168	22,517,049
Total net assets	<u>\$ 126,740,180</u>	<u>\$ 120,176,173</u>	<u>\$ 115,267,788</u>

Significant assets consist of cash and cash equivalents, short-term investments, accounts and taxes receivable, equity in net assets of Washburn Endowment Association, and capital assets. Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, compensated absences, and deferred revenue.

Fiscal Year 2005 Compared to Fiscal Year 2004

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$45.6 million at June 30, 2005. Total current assets at June 30, 2005 cover current liabilities 7.4 times, an indicator of excellent liquidity.

Washburn University of Topeka

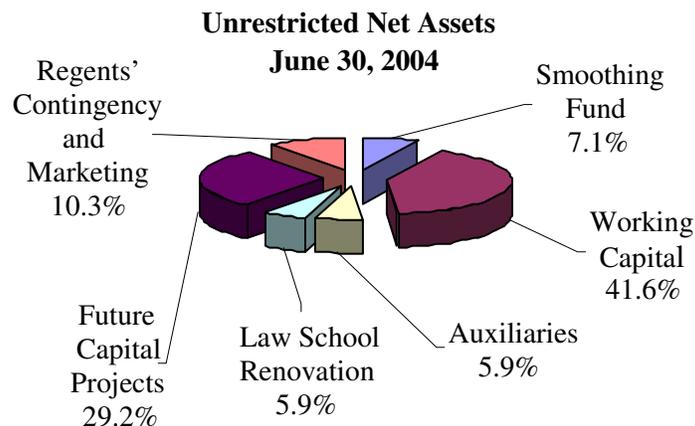
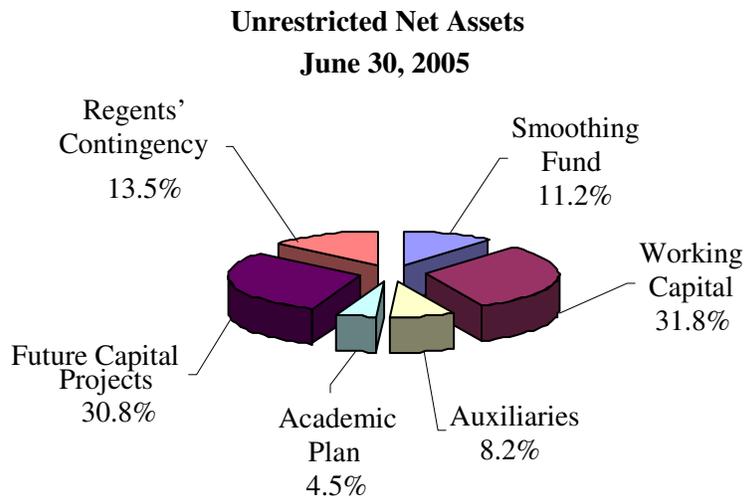
Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

Capital assets, net of related debt, which represents 34.1 percent of total net assets at June 30, 2005, represents the asset's 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 assets are subject to externally imposed restrictions governing their use. This category of net assets 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 assets are not subject to externally imposed stipulations, a portion of the University's unrestricted net assets has been designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects, and Regents' contingency. The following graphs show the allocations at June 30, 2005 and 2004:



Washburn University of Topeka

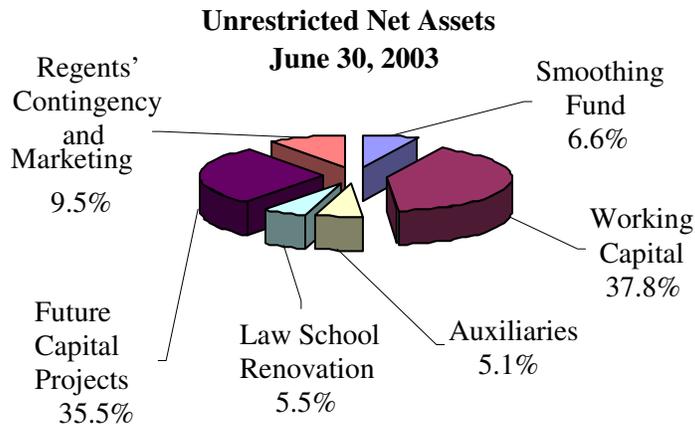
Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

Fiscal Year 2004 Compared to Fiscal Year 2003

Current assets, which consisted primarily of cash and cash equivalents, operating investments and receivables, totaled \$47.0 million at June 30, 2004. Total current assets at June 30, 2004 covered current liabilities 6.6 times, an indicator of excellent liquidity. Capital assets, net of related debt, represented 32.3 percent of total net assets at June 30, 2004.

Although unrestricted net assets are not subject to externally imposed stipulations, a portion of the University's unrestricted net assets were designated or reserved for specific purposes such as repairs and replacement of equipment, smoothing fund allocation, capital projects and Regents' contingency. The following graph shows the allocations at June 30, 2003:



The Statement of Revenues, Expenses and Changes in Net Assets

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

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

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004

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, 2005, 2004 and 2003.

**Condensed Statements of Revenues, Expenses
and Changes in Net Assets
For the Years Ended June 30, 2005, 2004 and 2003**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 38,821,846	\$ 33,997,657	\$ 31,680,879
Operating expenses	74,903,716	69,557,857	67,147,434
Operating loss	(36,081,870)	(35,560,200)	(35,466,555)
Nonoperating revenues and expenses	39,886,713	38,114,010	31,874,913
Income (loss) before other revenues, expenses, gains or losses	3,804,843	2,553,810	(3,591,642)
Other revenues, expenses, gains or losses	2,759,164	2,354,575	3,841,449
Increase in net assets	6,564,007	4,908,385	249,807
Net assets at beginning of year	120,176,173	115,267,788	115,017,981
Net assets at end of year	<u>\$ 126,740,180</u>	<u>\$ 120,176,173</u>	<u>\$ 115,267,788</u>

Fiscal Year 2005 Compared to Fiscal Year 2004

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets of \$6.6 million during the year ended June 30, 2005 compared to \$4.9 million during fiscal year 2004. Some highlights of the information provided in these statements follow.

Washburn University of Topeka

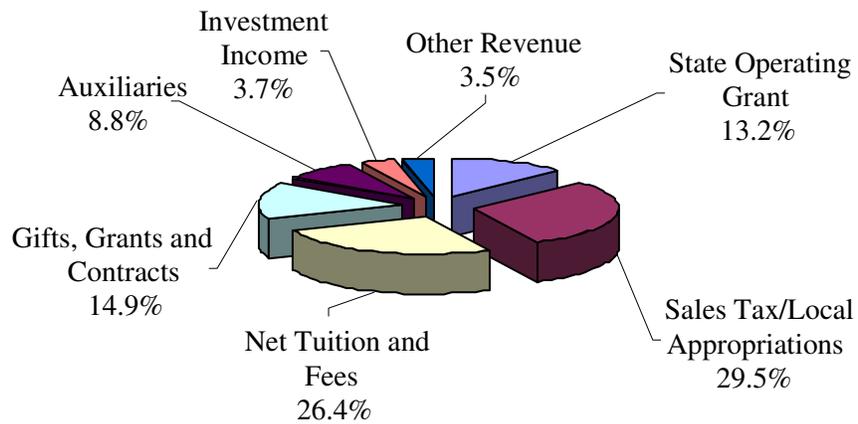
Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

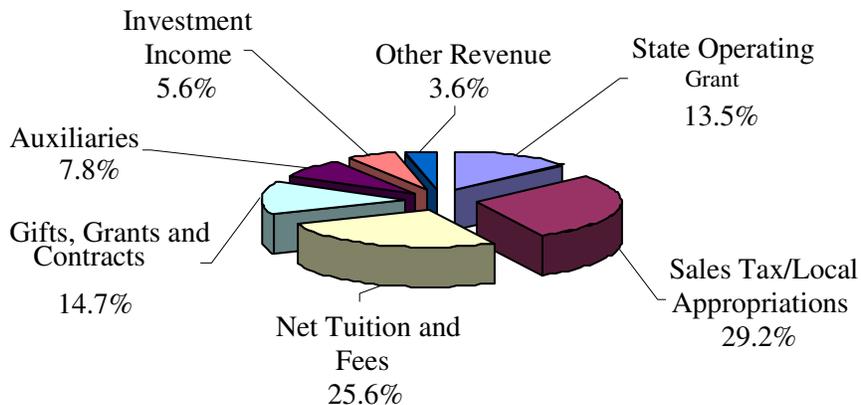
Revenues

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, 2005 and 2004.

**Revenues by Source
Year Ended June 30, 2005**



**Revenues by Source
Year Ended June 30, 2004**



Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

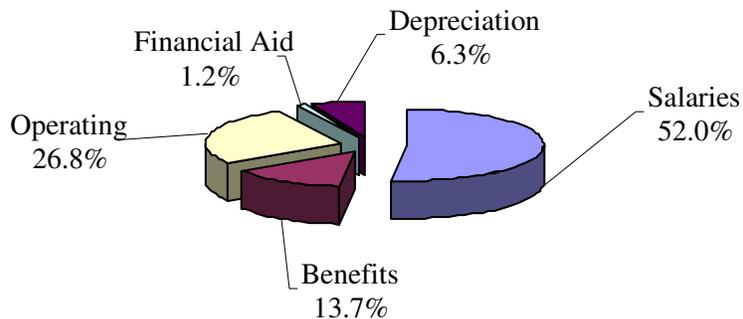
Sales tax/local appropriations and the state operating grant comprise 42.7 percent of the University's revenue for the years ended June 30, 2005 and 2004, while 26.4 percent is attributed to net tuition and fees for the year ended June 30, 2005 compared to 25.6 percent for the year ended June 30, 2004.

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

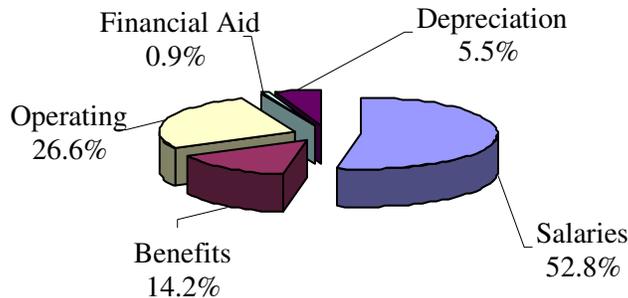
Expenses

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2005 and 2004.

**Operating Expenses by Natural Classification
Year Ended June 30, 2005**



**Operating Expenses by Natural Classification
Year Ended June 30, 2004**



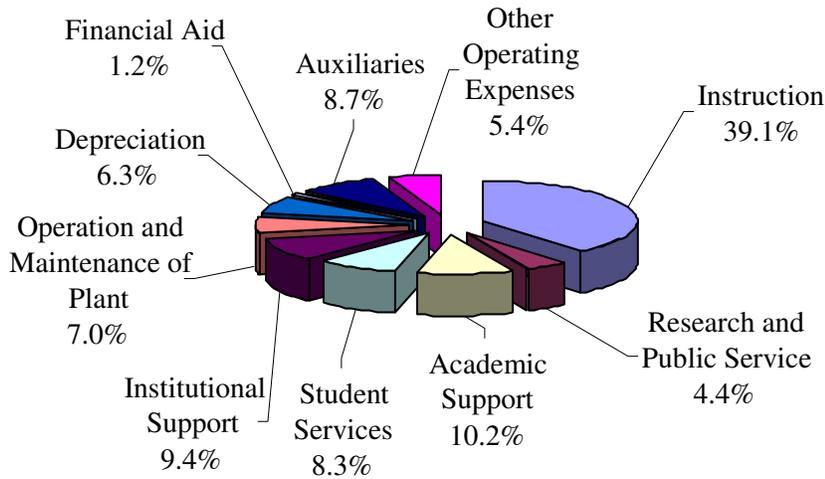
Washburn University of Topeka

Management's Discussion and Analysis

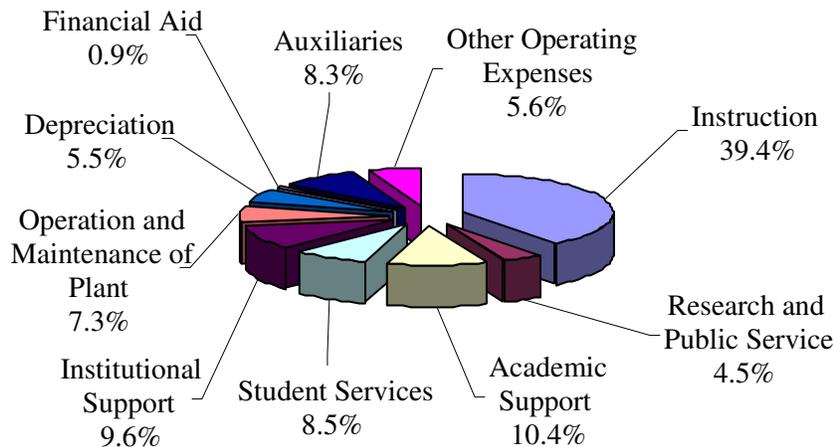
Years Ended June 30, 2005 and 2004

Salaries and benefits comprise 65.7 percent of expenses by natural classification for the year ended June 30, 2005 compared to 67.0 percent for the year ended June 30, 2004. Operating expenses represent 26.8 percent of total expenses for the year ended June 30, 2005 compared to 26.6 percent for the year ended June 30, 2004. Financial aid and depreciation represent the remaining 7.5 percent of expenses for the year ended June 30, 2005 compared to 6.4 percent for the year ended June 30, 2004.

**Operating Expenses by Function
Year Ended June 30, 2005**



**Operating Expenses by Function
Year Ended June 30, 2004**



Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

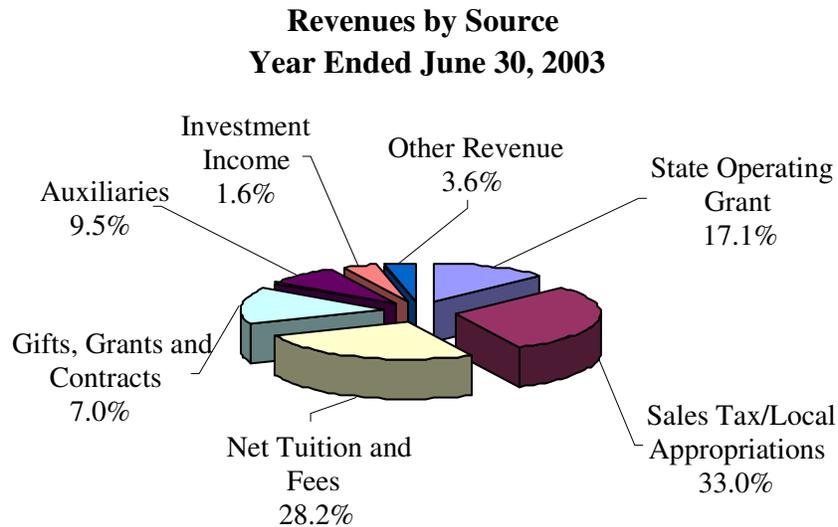
Operating expenses by function indicate 39.1 percent is attributable to instruction for the year ended June 30, 2005 compared to 39.4 percent for the year ended June 30, 2004. The percentages for the remaining operating expenses by functional area range from 10.2 percent for academic support to 1.2 percent for financial aid for the year ended June 30, 2005 compared to 10.4 percent for academic support to 0.9 percent for financial aid for the year ended June 30, 2004.

Fiscal Year 2004 Compared to Fiscal Year 2003

The statements of revenues, expenses and changes in net assets reflect an increase in net assets of \$4.9 million during 2004 compared to \$0.2 million during 2003. Some highlights of the information provided in these statements follow.

Revenues

The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the year ended June 30, 2003.



Sales tax/local appropriations and the state operating grant comprised 42.7 percent of the University's revenue for the year ended June 30, 2004 compared to 50.1 percent for the year ended June 30, 2003, while 25.6 percent is attributed to net tuition and fees for the year ended June 30, 2004 compared to 28.2 percent for the year ended June 30, 2003.

Washburn University of Topeka

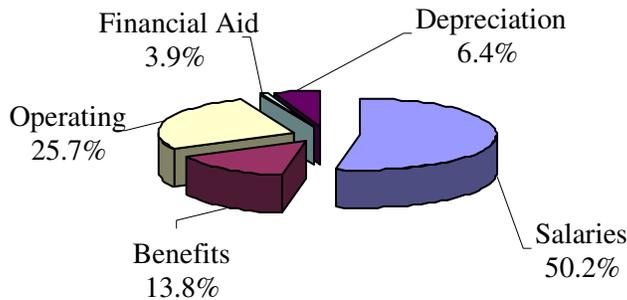
Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

Expenses

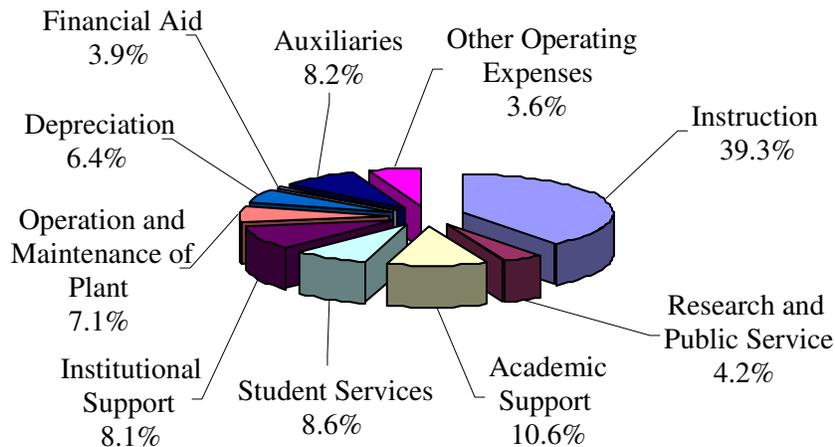
Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the year ended June 30, 2003.

Operating Expenses by Natural Classification
Year Ended June 30, 2003



Salaries and benefits comprise 67.0 percent of expenses by natural classification for the year ended June 30, 2004 compared to 64.0 percent for the year ended June 30, 2003. Operating expenses represent 26.6 percent of total expenses for the year ended June 30, 2004 compared to 25.7 percent for the year ended June 30, 2003. Financial aid and depreciation represent the remaining 6.4 percent of expenses for the year ended June 30, 2004 compared to 10.3 percent for the year ended June 30, 2003.

Operating Expenses by Function
Year Ended June 30, 2003



Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004

Operating expenses by function indicate 39.4 percent is attributable to instruction for the year ended June 30, 2004 compared to 39.3 percent for the year ended June 30, 2003. The percentages for the remaining operating expenses by functional area range from 10.4 percent for academic support to 0.9 percent for financial aid for the year ended June 30, 2004 compared to 10.6 percent for academic support to 3.6 percent for other operating expenses for the year ended June 30, 2003.

The Statement of Cash Flows

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

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

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 Statements of Cash Flows
For the Years Ended June 30, 2005, 2004 and 2003

	2005	2004	2003
Cash provided (used) by			
Operating activities	\$ (31,738,343)	\$ (31,841,059)	\$ (31,021,143)
Noncapital financing activities	39,875,197	36,553,437	33,952,903
Capital and related financing activities	(11,943,751)	(14,900,616)	(184,173)
Investing activities	1,578,557	12,606,249	(8,191,110)
Net increase (decrease) in cash	(2,228,340)	2,418,011	(5,443,523)
Cash, beginning of year	9,159,206	6,741,195	12,184,718
Cash, end of year	\$ 6,930,866	\$ 9,159,206	\$ 6,741,195

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

Fiscal Year 2005 Compared to Fiscal Year 2004

Significant sources of cash included sales tax revenues, the state operating grant, tuition and fees, and proceeds from maturities of investments. Significant uses of cash were for payments to suppliers and vendors, payments to employees including benefits, payments for scholarships and fellowships, capital assets and purchases of investments.

The cash position of the University decreased by \$2.2 million for the fiscal year ended June 30, 2005 compared to an increase of \$2.4 million for the fiscal year ended June 30, 2004.

Fiscal Year 2004 Compared to Fiscal Year 2003

Significant sources of cash included sales tax revenues, the state operating grant, tuition and fees and proceeds from maturities of investments. Significant uses of cash were for payments to suppliers and vendors, payments to employees including benefits, payments for scholarships and fellowships, capital assets and purchases of investments.

The cash position of the University increased by \$2.4 million for the fiscal year ended June 30, 2004 compared to a decrease of \$5.4 million for the fiscal year ended June 30, 2003.

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.

Capital Assets

The University made significant investments in capital assets during fiscal years 2005 and 2004. At June 30, 2005, the University had \$74.6 million invested in capital assets, net of accumulated depreciation, compared to \$70.0 million and \$58.1 million at June 30, 2004 and 2003, respectively. Depreciation charges totaled \$4.7 million for the fiscal year ended June 30, 2005 compared to \$3.8 million and \$4.4 million for the fiscal years ended June 30, 2004 and 2003, respectively. Details of these assets are as follows:

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004

Schedule of Capital Assets, Net of Depreciation
As of June 30, 2005, 2004 and 2003

	2005	2004	2003
Land	\$ 1,451,428	\$ 1,365,061	\$ 1,167,861
Buildings, improvements and infrastructure	58,848,155	42,380,717	38,858,445
Furniture, fixtures and equipment	3,391,624	2,688,364	2,683,704
Computer and electronic equipment	2,119,432	2,591,722	2,617,001
Books and collections	2,045,701	2,194,157	2,386,753
Broadcasting tower, antenna and equipment	2,801,364	2,318,583	2,488,049
Vehicles	277,029	77,987	62,568
Works of art and historical treasures	2,437,984	2,399,984	2,399,984
Construction in progress	1,257,224	14,016,480	5,467,309
Total	<u>\$ 74,629,941</u>	<u>\$ 70,033,055</u>	<u>\$ 58,131,674</u>

Major capital additions during the fiscal year ended June 30, 2005 include the Art Building, the Student Recreation and Wellness Center, Washburn Village, Carole Chapel, renovation of the School of Law, KTWU (television station) Digital Programming, the School of Nursing Learning Laboratory renovation, and the Nursing Mobile Health Van.

The major projects classified as construction in progress at June 30, 2005 are various software projects (Miranda HD/SD Imagestore for KTWU (television station), Touchnet Student Suite, and TMA Workorder), the telephone system and related consulting, 1729 SW MacVicar (Washburn Endowment Association Project), Mulvane Art Museum renovation, the Stoffer renovation, and the bookstore renovation.

Major capital additions during the fiscal year ended June 30, 2004 included the Bianchino Pavilion and related Moore Bowl/Yager Stadium renovations funded by a portion of the 2001 Series A bond issue and private donations, the soccer field and the water feature at the corner of 17th Street and Washburn.

The major projects classified as construction in progress at June 30, 2004 were the Art Building, the Student Recreation and Wellness Center, Washburn Village, Carole Chapel, renovation of the School of Law and the KTWU digital conversion.

Debt

At June 30, 2005 the University had \$32.8 million in outstanding debt compared to \$32.6 million at June 30, 2004 and \$33.6 million at June 30, 2003. Standard and Poor's Ratings Service has assigned a municipal bond rating to the University of "AAA," thus indicating the University's capacity to meet its financial obligations is considered excellent. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004

Outstanding Debt Schedule
As of June 30, 2005, 2004 and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Building Revenue Bonds			
Series 1999	\$ 1,890,000	\$ 14,910,000	\$ 15,295,000
Series 2001 A & B	10,025,000	10,425,000	10,815,000
Series 2003	6,940,000	7,230,000	7,500,000
Series 2004	13,985,000	—	—
Total	<u>\$ 32,840,000</u>	<u>\$ 32,565,000</u>	<u>\$ 33,610,000</u>

On September 30, 2004, the University issued \$14,250,000 in Building Refunding Revenue Bonds, Series 2004, to advance refund \$12,610,000 of the \$15,995,000 then-outstanding Series 1999 bonds dated November 1, 1999. Net proceeds of the 2004 issue were used for the defeasement of the Series 1999 bonds maturing between July 1, 2010 and July 1, 2029, which have been called for redemption and payment on July 1, 2009. The refunding of the Series 1999 bonds did not extend the University's debt service payments, and resulted in an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$752,507. The proceeds from the sale of the Series 2004 bonds were deposited into an irrevocable escrow account with an escrow agent to provide for the refunding of the Series 1999 bonds.

There was no additional debt issued during the fiscal year ended June 30, 2004.

Economic Outlook

University management believes the University is well positioned to maintain its strong financial condition and to continue providing excellent service. The University's financial position, as evidenced by its AAA rating from Standard and Poor'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.

During the fall of 2002, the University was advised of potential reductions in the state operating grant which, when finalized, resulted in a reduction of \$491,696 for fiscal year 2002-2003. The state operating grant for fiscal year 2003-2004 was \$10,102,336, the same amount received for the previous fiscal year. For fiscal year 2004-2005, \$455,060 of the prior reduction in the state operating grant was restored. The University will receive an additional increase of \$555,060 to its state operating grant for fiscal year 2005-2006, thus bringing the budgeted state operating grant to \$11,112,456.

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2005 and 2004

At the same time reductions occurred in the state operating grant, the actual amount of sales tax collections for fiscal year 2002-2003 also declined to \$16,550,554, which was \$752,551 less than budgeted. Because it did not appear economic conditions were improving, the fiscal year 2003-2004 budget for sales tax collections was not increased from the prior year's budget amount of \$17,303,105. Even though actual sales tax collections for the year ended June 30, 2004 exceeded the amount budgeted, the University felt it necessary to continue a conservative approach and did not increase the amount budgeted for sales tax collections for fiscal year 2004-2005.

During fiscal year 2004-2005, actual sales tax collections once again exceeded the amount budgeted. While sales tax collections have exceeded budget projections for two fiscal years, the amount of collections remains volatile, increasing or decreasing with consumer confidence and spending. Therefore, the University felt it should maintain a conservative approach, and for the 2005-2006 fiscal year, budgeted the actual amount of sales tax collections for fiscal year 2003-2004 of \$19,117,532.

In the fall 2004 semester, the University once again generated a record number of credit hours. For fiscal year 2005-2006, the University's Board of Regents approved a 9.3% tuition increase, which along with the increase in enrollment during fiscal year 2004-2005, is expected to generate approximately \$2.9 million in new revenue. For fall semester 2005, the University continued its pattern of growth, but at a much more modest pace, enrolling 7,261 students compared to 7,251 for fall 2004.

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.

Washburn University of Topeka
Statements of Net Assets
June 30, 2005 and 2004

Assets

	2005	2004
Current Assets		
Cash and cash equivalents	\$ 6,930,866	\$ 9,159,206
Short-term investments	27,915,776	27,612,000
Taxes receivable	3,805,901	4,231,217
Accounts receivable, net of allowance; 2005 - \$365,000, 2004 - \$0	2,616,600	1,739,445
Receivable from Washburn Endowment Association	3,455,125	3,341,418
Inventories	778,101	814,753
Other assets	87,297	69,748
Total current assets	45,589,666	46,967,787
Noncurrent Assets		
Perkins loans receivable	1,395,790	1,323,539
Receivable from Washburn Endowment Association	34,945,884	34,469,830
Equity in the net assets of Washburn Endowment Association	5,549,373	5,058,752
Endowment investments	472,445	469,554
Bond issuance costs	853,850	497,257
Capital assets, net	74,629,941	70,033,055
Total noncurrent assets	117,847,283	111,851,987
Total assets	\$ 163,436,949	\$ 158,819,774

Liabilities

	<u>2005</u>	<u>2004</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,706,633	\$ 4,152,844
Accrued compensated absences	1,273,046	1,021,572
Deferred revenue	633,951	485,406
Building revenue bonds, current portion	1,260,000	1,100,000
Deposit held in custody for others	<u>298,236</u>	<u>303,074</u>
Total current liabilities	<u>6,171,866</u>	<u>7,062,896</u>
Non-current Liabilities		
Deferred revenue	50,000	70,000
Building revenue bonds	<u>30,474,903</u>	<u>31,510,705</u>
Total noncurrent liabilities	<u>30,524,903</u>	<u>31,580,705</u>
Total liabilities	<u>36,696,769</u>	<u>38,643,601</u>
Net Assets		
Invested in capital assets, net of related debt	43,260,235	38,848,944
Restricted		
Nonexpendable		
Endowments	37,129,903	37,016,682
Expendable		
Scholarships, tuition and other	6,262,030	6,350,710
Loans	1,545,801	1,501,485
Self-insurance	2,590,268	1,445,811
Capital projects	17,936,295	11,339,699
Debt service	1,898,560	651,550
Other	2,792,518	2,110,124
Unrestricted	<u>13,324,570</u>	<u>20,911,168</u>
Total net assets	<u>126,740,180</u>	<u>120,176,173</u>
Total liabilities and net assets	<u>\$ 163,436,949</u>	<u>\$ 158,819,774</u>

Washburn University of Topeka
Washburn Endowment Association
Statements of Financial Position
June 30, 2005 and 2004

Assets

	2005	2004
Cash and cash equivalents	\$ 5,683,033	\$ 5,111,076
Investments	105,015,792	100,790,054
Bequests receivable	951,000	319,344
Pledges receivable, less allowance for uncollectible pledges; 2005 - \$168,300, 2004 - \$185,588	3,753,088	4,107,486
Accrued investment income receivable	385,278	422,670
Note receivable	74,370	75,151
Beneficial interests in trusts	7,968,039	6,746,371
Furniture and equipment, net of accumulated depreciation; 2005 - \$43,443, 2004 - \$19,899	121,610	139,295
Total assets	\$ 123,952,210	\$ 117,711,447

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 125,137	\$ 88,886
Accrued payroll, taxes and benefits	119,228	120,355
Due to Washburn University of Topeka	4,802,355	4,540,219
Charitable gift annuities	328,664	213,643
Funds managed on behalf of Washburn University of Topeka	33,218,526	33,248,813
Funds managed on behalf of Washburn Law School		
Foundation School of Law	6,609,152	5,814,404
Other	82,963	21,739
Total liabilities	45,286,025	44,048,059
Unrestricted	16,128,997	12,402,637
Temporarily restricted	25,016,231	19,882,820
Permanently restricted	37,520,957	41,377,931
Total net assets	78,666,185	73,663,388
Total liabilities and net assets	\$ 123,952,210	\$ 117,711,447

**Washburn University of Topeka
Washburn Law School Foundation**
Statements of Financial Position
June 30, 2005 and 2004

Assets

	2005	2004
		<i>(Restated)</i>
Cash	\$ —	\$ 75,620
Due from Washburn University	29,529	—
Due from Washburn Endowment Association	6,609,152	5,814,404
Real estate, at fair value	2,343,510	2,603,510
Other assets	19,868	31,922
Total assets	\$ 9,002,059	\$ 8,525,456

Liabilities and Net Assets

Liabilities

Due to Washburn Alumni Association	\$ <u>5,000</u>	\$ <u>130</u>
Total liabilities	5,000	130
Unrestricted	4,623,662	4,697,795
Temporarily restricted	435,435	177,198
Permanently restricted	3,937,962	3,650,333
Total net assets	8,997,059	8,525,326
Total liabilities and net assets	\$ 9,002,059	\$ 8,525,456

Washburn University of Topeka
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2005 and 2004

	2005	2004
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$8,189,611 and \$7,736,800, respectively)	\$ 22,206,251	\$ 19,691,829
Federal grants and contracts	6,590,740	5,906,699
Sales and services of educational departments	829,690	841,157
Auxiliary enterprises		
Residential living (net of scholarship allowances of \$98,800 and \$133,101, respectively; revenues are used as security for revenue bonds Series 1999, 2001 A and B, 2003 and 2004)	1,905,281	1,169,549
Memorial Union (revenues are used as security for revenue bonds Series 1999 and 2001 A and B)	5,469,047	4,856,507
Self-insurance premiums — employee portion	1,362,293	1,351,393
Other operating revenues	458,544	180,523
Total operating revenues	38,821,846	33,997,657
Operating Expenses		
Educational and general		
Instruction	29,277,156	27,420,253
Research	99,151	89,574
Public service	3,224,530	3,010,562
Academic support	7,607,021	7,283,979
Student services	6,185,696	5,903,196
Institutional support	7,040,699	6,677,643
Operations and maintenance of plant	5,238,047	5,062,481
Depreciation	4,696,652	3,813,714
Financial aid	923,740	635,024
Auxiliary enterprises		
Residential Living	885,669	536,747
Memorial Union	5,653,451	5,240,459
Self-insurance claims	3,996,755	3,783,552
Other expenditures	75,149	100,673
Total operating expenses	74,903,716	69,557,857
Operating Loss	(36,081,870)	(35,560,200)
Nonoperating Revenues (Expenses)		
State appropriations	11,080,070	10,347,251
Local appropriations	24,873,673	22,364,542
Federal grants and contracts	698,417	429,841
State and local grants and contracts	118,047	797,091
Nongovernmental grants and contracts	399,049	252,812
Gifts	2,224,653	1,923,687
Investment income	3,091,376	4,324,236
Interest on indebtedness	(1,343,350)	(1,225,358)
Other nonoperating expenses	(1,255,222)	(1,100,092)
Net nonoperating revenues	39,886,713	38,114,010

Washburn University of Topeka
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2005 and 2004 (Continued)

	2005	2004
Income before Other Revenues	\$ 3,804,843	\$ 2,553,810
Capital Grants – Federal	171,873	80,988
Capital Grants and Gifts – Non-Federal	2,281,483	1,895,733
Additions to Permanent Endowments	<u>305,808</u>	<u>377,854</u>
Increase in Net Assets	6,564,007	4,908,385
Net Assets, Beginning of Year	<u>120,176,173</u>	<u>115,267,788</u>
Net Assets, End of Year	<u>\$ 126,740,180</u>	<u>\$ 120,176,173</u>

Washburn University of Topeka
Washburn Endowment Association

Statement of Activities
Year Ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Support				
Contributions	\$ 1,766,398	\$ 3,630,351	\$ 1,516,586	\$ 6,913,335
Change in beneficial interest	<u>6,453</u>	<u>255,568</u>	<u>149,508</u>	<u>411,529</u>
Total support	<u>1,772,851</u>	<u>3,885,919</u>	<u>1,666,094</u>	<u>7,324,864</u>
Revenues				
Investment income	2,856,788	2,874,419	82,114	5,813,321
Administration	1,094,196			1,094,196
Events	68,751	18,500		87,251
Other	<u>3,353</u>	<u>102,297</u>	<u>85,668</u>	<u>191,318</u>
Total revenues	<u>4,023,088</u>	<u>2,995,216</u>	<u>167,782</u>	<u>7,186,086</u>
Net Assets Released From Restrictions				
Satisfaction of program restrictions	<u>3,914,763</u>	<u>(3,914,763)</u>		
Total support and revenue	<u>9,710,702</u>	<u>2,966,372</u>	<u>1,833,876</u>	<u>14,510,950</u>
Expenses				
Program services	6,751,904			6,751,904
Management and general	1,122,908			1,122,908
Fundraising	<u>1,633,341</u>			<u>1,633,341</u>
Total expenses	<u>9,508,153</u>	<u>—</u>	<u>—</u>	<u>9,508,153</u>
Excess of Revenues Over Expenses	202,549	2,966,372	1,833,876	5,002,797
Net Interfund Transfer Related to Market Values of Endowed Funds Below Original Donor Contributions				
	(107,595)	107,595		
Net Asset Reclassifications	<u>3,631,406</u>	<u>2,059,444</u>	<u>(5,690,850)</u>	<u>—</u>
Change in Net Assets	3,726,360	5,133,411	(3,856,974)	5,002,797
Net Assets, Beginning of Year	<u>12,402,637</u>	<u>19,882,820</u>	<u>41,377,931</u>	<u>73,663,388</u>
Net Assets, End of Year	<u>\$ 16,128,997</u>	<u>\$ 25,016,231</u>	<u>\$ 37,520,957</u>	<u>\$ 78,666,185</u>

**Washburn University of Topeka
Washburn Endowment Association**

**Statement of Activities
Year Ended June 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Support				
Contributions	\$ 216,508	\$ 2,936,070	\$ 1,502,392	\$ 4,654,970
Trust income	31,675	185,079		216,754
Change in beneficial interest	<u> </u>	<u> </u>	300,240	300,240
Total support	<u>248,183</u>	<u>3,121,149</u>	<u>1,802,632</u>	<u>5,171,964</u>
Revenues				
Investment income	2,820,263	4,884,187	184,913	7,889,363
Administration	1,316,135			1,316,135
Events	<u>25,522</u>	<u>29,791</u>	<u>47,136</u>	<u>102,449</u>
Total revenues	<u>4,161,920</u>	<u>4,913,978</u>	<u>232,049</u>	<u>9,307,947</u>
Net Assets Released From Restrictions				
Satisfaction of program restrictions	<u>6,757,347</u>	<u>(6,757,347)</u>	<u> </u>	<u> </u>
Total support and revenue	<u>11,167,450</u>	<u>1,277,780</u>	<u>2,034,681</u>	<u>14,479,911</u>
Expenses				
Program services	7,837,405			7,837,405
Management and general	1,349,206			1,349,206
Fundraising	<u>1,297,612</u>	<u> </u>	<u> </u>	<u>1,297,612</u>
Total expenses	<u>10,484,223</u>	<u> </u>	<u> </u>	<u>10,484,223</u>
Excess of Revenues Over Expenses	683,227	1,277,780	2,034,681	3,995,688
Net Interfund Transfer		(498,391)	498,391	
Net Interfund Transfer Related to Market Values of Endowed Funds Below Original Donor Contributions				
	<u>341,417</u>	<u>(341,417)</u>	<u> </u>	<u> </u>
Change in Net Assets	1,024,644	437,972	2,533,072	3,995,688
Net Assets, Beginning of Year	<u>11,377,993</u>	<u>19,444,848</u>	<u>38,844,859</u>	<u>69,667,700</u>
Net Assets, End of Year	<u>\$ 12,402,637</u>	<u>\$ 19,882,820</u>	<u>\$ 41,377,931</u>	<u>\$ 73,663,388</u>

**Washburn University of Topeka
Washburn Law School Foundation**

**Statement of Activities
Year Ended June 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 26,426	\$	\$ 259,958	\$ 286,384
Return on investments	251,321	392,490	13,197	657,008
Nongift and other income	169,829		14,474	184,303
Net assets released from restriction	<u>134,253</u>	<u>(134,253)</u>	<u> </u>	<u> </u>
Total support and revenue	<u>581,829</u>	<u>258,237</u>	<u>287,629</u>	<u>1,127,695</u>
Expenses				
Program expenses				
Support of Law School	362,093			362,093
Management and general	<u>293,869</u>	<u> </u>	<u> </u>	<u>293,869</u>
Total expenses	<u>655,962</u>	<u> </u>	<u> </u>	<u>655,962</u>
Change in Net Assets	<u>(74,133)</u>	<u>258,237</u>	<u>287,629</u>	<u>471,733</u>
Net Assets, Beginning of Year, as previously reported	4,947,991	422,281	3,650,333	9,020,605
Prior Period Adjustment	<u>(250,196)</u>	<u>(245,083)</u>	<u> </u>	<u>(495,279)</u>
Net Assets, Beginning of Year, as restated	<u>4,697,795</u>	<u>177,198</u>	<u>3,650,333</u>	<u>8,525,326</u>
Net Assets, End of Year	<u>\$ 4,623,662</u>	<u>\$ 435,435</u>	<u>\$ 3,937,962</u>	<u>\$ 8,997,059</u>

**Washburn University of Topeka
Washburn Law School Foundation**

**Statement of Activities
Year Ended June 30, 2004**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
Support and Revenue				
Contributions	\$ 651,807	\$	\$ 45,494	\$ 697,301
Return on investments	454,622	422,281		876,903
Net assets released from restriction	<u>245,083</u>	<u>(245,083)</u>	<u> </u>	<u> </u>
Total support and revenue	<u>1,351,512</u>	<u>177,198</u>	<u>45,494</u>	<u>1,574,204</u>
 Expenses				
Program expenses				
Support of Law School	68,354			68,354
Management and general	<u>60,680</u>	<u> </u>	<u> </u>	<u>60,680</u>
Total expenses	<u>129,034</u>	<u> </u>	<u> </u>	<u>129,034</u>
 Change in Net Assets	 1,222,478	 177,198	 45,494	 1,445,170
 Net Assets, Beginning of Year	 <u>3,475,317</u>	 <u> </u>	 <u>3,604,839</u>	 <u>7,080,156</u>
 Net Assets, End of Year, as restated	 <u>\$ 4,697,795</u>	 <u>\$ 177,198</u>	 <u>\$ 3,650,333</u>	 <u>\$ 8,525,326</u>

Washburn University of Topeka
Statements of Cash Flows (Continued)
Years Ended June 30, 2005 and 2004

	2005	2004
Operating Activities		
Tuition and fees	\$ 21,159,050	\$ 19,771,305
Grants and contracts	6,958,247	5,824,059
Auxiliary enterprise charges		
Residential Living	1,802,534	1,203,402
Memorial Union	5,461,833	4,662,041
Sales and services of educational departments	806,713	864,319
Collection of loans issued to students	510,113	429,073
Other receipts	435,188	123,173
Self-insurance premiums	215,520	378,894
Payments to suppliers	(15,979,021)	(14,879,807)
Payments to employees	(47,698,284)	(45,157,735)
Payments for scholarships and fellowships	(923,565)	(631,904)
Loans issued to students	(622,146)	(567,148)
Payments for self-insurance claims	<u>(3,864,525)</u>	<u>(3,860,731)</u>
Net cash used in operating activities	<u>(31,738,343)</u>	<u>(31,841,059)</u>
Noncapital Financing Activities		
State appropriations	25,309,825	10,367,126
Local appropriations	11,080,070	22,392,113
Gifts and grants from other than capital purposes	3,700,618	3,662,014
Private gifts for endowment purposes	—	2,273
Endowment assets transferred to outside management	(108,302)	—
Federal Family Education loan receipts	36,137,872	31,737,642
Federal Family Education loan disbursements	(36,238,656)	(31,636,823)
Agency account transactions	<u>(6,230)</u>	<u>29,092</u>
Net cash provided by noncapital financing activities	<u>39,875,197</u>	<u>36,553,437</u>
Capital and Related Financing Activities		
Proceeds from issuance of debt	83,526	—
Issue costs paid on debt	(70,896)	—
Capital grants and gifts received	2,094,449	2,415,856
Purchase of capital assets	(11,370,972)	(14,591,827)
Principal paid on long-term debt	(1,365,000)	(1,045,000)
Interest paid on long-term debt	<u>(1,314,858)</u>	<u>(1,679,645)</u>
Net cash used in capital and related financing activities	<u>(11,943,751)</u>	<u>(14,900,616)</u>
Investing Activities		
Proceeds from sales and maturities of investments	50,900,000	86,004,500
Interest on investments	1,882,333	2,392,336
Purchase of investments	<u>(51,203,776)</u>	<u>(75,790,587)</u>
Net cash provided by investing activities	<u>1,578,557</u>	<u>12,606,249</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,228,340)	2,418,011
Cash and Cash Equivalents, Beginning of Year	<u>9,159,206</u>	<u>6,741,195</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,930,866</u>	<u>\$ 9,159,206</u>

Washburn University of Topeka
Statements of Cash Flows (Continued)
Years Ended June 30, 2005 and 2004

	2005	2004
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (36,081,870)	\$ (35,560,200)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,696,652	3,813,714
Provision for uncollectible accounts receivable	365,000	—
Write-off of Perkins loans	32,362	48,642
Changes in assets and liabilities		
Receivables, net	(1,161,569)	(388,613)
Inventories	36,652	87,027
Receivables from Washburn Endowment Association	55,426	(31,406)
Other assets	(17,549)	5,330
Perkins loans receivable	(104,612)	(130,424)
Accounts payable	61,146	237,525
Compensated absences	251,474	89,918
Deferred revenue	128,545	(12,572)
Total cash and cash equivalents	\$ (31,738,343)	\$ (31,841,059)
Noncash Investing and Financing Transactions		
Change in fair value of investments	\$ (1,081,482)	\$ 1,401,159
Defeasance of 1999 Series bonds	12,610,000	—
Bond proceeds placed in escrow for advance refunding	14,544,915	—
Bond issuance costs reducing proceeds of capital debt	64,337	—
Capital gifts	25,000	—
Capitalization of interest	91,484	485,719
Capital gift	25,000	—
Capital additions included in accounts payable	(1,942,255)	641,855

Washburn University of Topeka

Notes to Financial Statements

June 30, 2005 and 2004

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

Washburn University of Topeka (the University) is a municipal university governed by an appointed nine-member Board of Regents. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities.

In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature of significance of their relationship with the University. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The University implemented Statement No. 39 beginning with the fiscal year ended June 30, 2004. The accompanying financial statements present the University and its component units, entities for which the University is considered to be financially accountable or entities which have a significant relationship with the University. The discretely presented component units are reported in separate basic financial statements to emphasize that they are legally separate from the University.

Discretely-Presented Component Units

Washburn Endowment Association (the Association) 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 Association manages primarily endowment or trust funds, the income from which is used for the benefit of the University. The Association is responsible for the fund raising activities of the University.

Washburn Law School Foundation (the 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.

Complete financial statements for the Washburn Endowment Association and the Washburn Law School Foundation may be obtained at their administrative offices at 1700 College Avenue, Topeka, Kansas 66621.

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, regardless of the timing of related cash flows. All significant intrafund transactions have been eliminated.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

The University distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of the University are student tuition and fees and sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and grants and contracts. Operating expenses include the costs of providing education and auxiliary services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonoperating transactions include sales taxes, property taxes, state appropriations and other contributions. 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.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the option of either choosing not to apply future FASB standards (including amendments of earlier pronouncements), or continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The University has chosen not to apply FASB standards for proprietary funds.

Cash Equivalents

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

Accounts Receivable

Accounts receivable are carried at the original amount. Management records an allowance for doubtful accounts. 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

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. The fair value of the University's position in the State of Kansas Municipal Investment Pool is the same as the pool value of the University's shares in this fund.

Bond Issuance Costs

Bond issuance costs are being amortized over the life of the bonds using the effective interest method.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. The University capitalizes interest on the construction of capital assets when material. The amount of interest capitalized was \$91,484 and \$485,719 for the years ended June 30, 2005 and 2004, respectively.

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

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

Equipment purchased with grant proceeds, for which the granting agency has a reversionary interest, is also 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

- 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 collection.

Deferred Revenue

Tuition and fees received before year-end which relate to subsequent periods are deferred on the statement of net assets.

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.

Net Assets

The University's net assets are classified as follows:

Invested In Capital Assets, Net of Related Debt

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

Restricted Net Assets – Non expendable

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

Restricted Net Assets – 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 Assets

This includes resources derived from student tuition and fees, state 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Property Taxes

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain 2004 amounts have been reclassified to conform to the 2005 presentation. These reclassifications had no effect on total net assets.

Note 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the years ended June 30, 2005 and 2004.

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.

Note 3: Cash and Investments

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

Deposits

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

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

The University had no bank balances exposed to custodial credit risk at June 30, 2005 and 2004.

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 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, 2005 and 2004. The University currently does not maintain a formal investment policy. However, management believes the University has complied with the State of Kansas' statutes and regulations regarding investment activity.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Investments of endowment funds at June 30, 2005 and 2004 consisted of the following:

	2005	2004
Preferred stocks, carried at fair value (cost at June 30 of \$9,246 and \$9,246, respectively)	\$ 13,150	\$ 12,725
Mutual funds, carried at fair value (cost at June 30 of \$396,711 and \$396,711, respectively)	<u>459,295</u>	<u>456,829</u>
	<u>\$ 472,445</u>	<u>\$ 469,554</u>

At June 30, 2005 and 2004, the University had the following short-term investments (which have an original maturity date of one year or less):

	2005	2004
Certificates of Deposit		
Commerce Bank & Trust	\$ 14,519,776	\$ 6,796,000
Capital City Bank	7,996,000	—
Capital Federal Savings	1,400,000	16,770,000
Kaw Valley State Bank	<u>4,000,000</u>	<u>4,046,000</u>
	<u>\$ 27,915,776</u>	<u>\$ 27,612,000</u>

Note 4: Receivable From Washburn Endowment Association

Receivables from the Washburn Endowment Association consisted of the following items held by the Association as of June 30, 2005 and 2004:

	2005	2004
Contributions for scholarships and other activities	\$ 1,626,017	\$ 911,464
Held pledges receivable	92,697	107,407
Restricted endowment income	3,408,829	3,433,791
Unreimbursed operating expenses of the Association due to the University	147,637	194,760
University endowment funds managed by the Association (see activity below)	<u>33,125,829</u>	<u>33,163,826</u>
	<u>\$ 38,401,009</u>	<u>\$ 37,811,248</u>

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Receivables from Washburn Endowment Association were presented in the statement of net assets as follows:

	2005	2004
Current receivable from Washburn Endowment Association	\$ 3,455,125	\$ 3,341,418
Noncurrent receivable from Washburn Endowment Association	<u>34,945,884</u>	<u>34,469,830</u>
	<u>\$ 38,401,009</u>	<u>\$ 37,811,248</u>

The University has transferred to the Association certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Association. The activity of these assets at June 30, 2005 and 2004 and for the years then ended is as follows:

	2005	2004
Beginning of year, at cost	\$ 22,626,963	\$ 22,074,624
Change in cash value of life insurance policies	(3,613)	(2,664)
Transfers	<u>490,072</u>	<u>555,003</u>
End of year, at cost	23,113,422	22,626,963
Undistributed endowment income	757,964	—
Unrealized gain on investment	<u>9,254,443</u>	<u>10,536,863</u>
End of year, at fair value	<u>\$ 33,125,829</u>	<u>\$ 33,163,826</u>

Note 5: Equity in the Net Assets of Washburn Endowment Association

Contributions for specific capital projects, scholarships and other activities are being held and invested by the Association until the University and Foundation request the funds be transferred to the University or Foundation. The University had a claim on the net assets of the Association in the amount of \$5,549,373 and \$5,058,752 as of June 30, 2005 and 2004, respectively.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Note 6: Capital Assets

The following is a summary of capital assets for the year ended June 30, 2005 and 2004:

	2005				
	Balance July 1, 2004	Additions	Retirements	Construction in Progress Placed in Service	Balance June 30, 2005
Capital assets, not being depreciated					
Land	\$ 1,365,061	\$ —	\$ —	\$ 86,367	\$ 1,451,428
Works of art and historical treasures	2,399,984	39,000	(1,000)	—	2,437,984
Construction in progress	<u>14,016,480</u>	<u>7,708,026</u>	<u>—</u>	<u>(20,467,282)</u>	<u>1,257,224</u>
Capital assets, not being depreciated	<u>17,781,525</u>	<u>7,747,026</u>	<u>(1,000)</u>	<u>(20,380,915)</u>	<u>5,146,636</u>
Capital assets, being depreciated					
Buildings, improvements and infrastructure	74,396,566	—	—	18,572,365	92,968,931
Furniture, fixtures and equipment	8,815,956	408,070	(379,493)	1,017,968	9,862,501
Computers and electronic equipment	12,661,761	386,090	(622,040)	—	12,425,811
Books and collections	16,378,757	492,329	(9,483)	—	16,861,603
Broadcasting tower, antenna and equipment	4,713,265	31,880	—	790,582	5,535,727
Vehicles	<u>434,149</u>	<u>246,838</u>	<u>(34,649)</u>	<u>—</u>	<u>646,338</u>
Total capital assets, being depreciated	<u>117,400,454</u>	<u>1,565,207</u>	<u>(1,045,665)</u>	<u>20,380,915</u>	<u>138,300,911</u>
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(32,015,849)	(2,104,927)	—	—	(34,120,776)
Furniture, fixtures and equipment	(6,127,592)	(703,896)	360,611	—	(6,470,877)
Computers and electronic equipment	(10,070,039)	(858,311)	621,971	—	(10,306,379)
Books and collections	(14,184,600)	(640,786)	9,484	—	(14,815,902)
Broadcasting tower, antenna and equipment	(2,394,682)	(341,315)	1,634	—	(2,734,363)
Vehicles	<u>(356,162)</u>	<u>(47,417)</u>	<u>34,270</u>	<u>—</u>	<u>(369,309)</u>
Total accumulated depreciation	<u>(65,148,924)</u>	<u>(4,696,652)</u>	<u>1,027,970</u>	<u>—</u>	<u>(68,817,606)</u>
Total capital assets, being depreciated, net	<u>52,251,530</u>	<u>(3,131,445)</u>	<u>(17,695)</u>	<u>20,380,915</u>	<u>69,483,305</u>
Total capital assets	<u>\$ 70,033,055</u>	<u>\$ 4,615,581</u>	<u>\$ (18,695)</u>	<u>\$ —</u>	<u>\$ 74,629,941</u>

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

	2004				
	Balance July 1, 2003	Additions	Retirements	Construction in Progress Placed in Service	Balance June 30, 2004
Capital assets, not being depreciated					
Land	\$ 1,167,861	\$ 104,840	\$ —	\$ 92,360	\$ 1,365,061
Works of art and historical treasures	2,399,984	—	—	—	2,399,984
Construction in progress	<u>5,467,309</u>	<u>14,405,982</u>	<u>—</u>	<u>(5,856,811)</u>	<u>14,016,480</u>
Capital assets, not being depreciated	<u>9,035,154</u>	<u>14,510,822</u>	<u>—</u>	<u>(5,764,451)</u>	<u>17,781,525</u>
Capital assets, being depreciated					
Buildings, improvements and infrastructure	69,920,519	128,930	(252,263)	4,599,380	74,396,566
Furniture, fixtures and equipment	8,422,776	235,020	(185,050)	343,210	8,815,956
Computers and electronic equipment	11,626,899	392,729	(179,728)	821,861	12,661,761
Books and collections	15,954,075	424,682	—	—	16,378,757
Broadcasting tower, antenna and equipment	5,079,331	13,349	(379,415)	—	4,713,265
Vehicles	<u>428,565</u>	<u>13,839</u>	<u>(8,255)</u>	<u>—</u>	<u>434,149</u>
Total capital assets, being depreciated	<u>111,432,165</u>	<u>1,208,549</u>	<u>(1,004,711)</u>	<u>5,764,451</u>	<u>117,400,454</u>
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(31,062,074)	(1,206,038)	252,263	—	(32,015,849)
Furniture, fixtures and equipment	(5,739,072)	(569,294)	180,774	—	(6,127,592)
Computers and electronic equipment	(9,009,898)	(1,239,869)	179,728	—	(10,070,039)
Books and collections	(13,567,322)	(617,278)	—	—	(14,184,600)
Broadcasting tower, antenna and equipment	(2,591,282)	(182,815)	379,415	—	(2,394,682)
Vehicles	<u>(365,997)</u>	<u>1,580</u>	<u>8,255</u>	<u>—</u>	<u>(356,162)</u>
Total accumulated depreciation	<u>(62,335,645)</u>	<u>(3,813,714)</u>	<u>1,000,435</u>	<u>—</u>	<u>(65,148,924)</u>
Total capital assets, being depreciated, net	<u>49,096,520</u>	<u>(2,605,165)</u>	<u>(4,276)</u>	<u>5,764,451</u>	<u>52,251,530</u>
Total capital assets	<u>\$ 58,131,674</u>	<u>\$ 11,905,657</u>	<u>\$ (4,276)</u>	<u>\$ —</u>	<u>\$ 70,033,055</u>

The University had approximately \$1,015,000 and \$3,363,000, respectively, at June 30, 2005 and 2004 in commitments for building construction and other contracts.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Note 7: Non-Current Liabilities

The following is a summary of changes in long-term debt for the years ended June 30, 2005 and 2004:

	Balance July 1, 2004	Issued	Retired/ Defeased	Balance June 30, 2005	Due Within One Year
Series 1999	\$ 14,910,000	\$ —	\$ 13,020,000	\$ 1,890,000	\$ 435,000
Series 2001 A	8,095,000	—	310,000	7,785,000	320,000
Series 2001 B	2,330,000	—	90,000	2,240,000	95,000
Series 2003	7,230,000	—	290,000	6,940,000	290,000
Series 2004	<u>—</u>	<u>14,250,000</u>	<u>265,000</u>	<u>13,985,000</u>	<u>120,000</u>
	<u>\$ 32,565,000</u>	<u>\$ 14,250,000</u>	<u>\$ 13,975,000</u>	32,840,000	<u>\$ 1,260,000</u>

Add unamortized premium on bonds	321,932
Less deferred cost of refunding 1999 Series bonds	(1,427,029)
Less current portion	<u>(1,260,000)</u>
	<u>\$ 30,474,903</u>

Other non-current liabilities

Deferred revenue	<u>\$ 555,406</u>	<u>\$ 613,951</u>	<u>\$ (485,406)</u>	<u>\$ 683,951</u>	<u>\$ 633,951</u>
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	Balance July 1, 2003	Issued	Retired	Balance June 30, 2004	Due Within One Year
Series 1999	\$ 15,295,000	\$ —	\$ 385,000	\$ 14,910,000	\$ 410,000
Series 2001 A	8,400,000	—	305,000	8,095,000	310,000
Series 2001 B	2,415,000	—	85,000	2,330,000	90,000
Series 2003	<u>7,500,000</u>	<u>—</u>	<u>270,000</u>	<u>7,230,000</u>	<u>290,000</u>
	<u>\$ 33,610,000</u>	<u>\$ —</u>	<u>\$ 1,045,000</u>	32,565,000	<u>\$ 1,100,000</u>

Add unamortized premium on bonds	45,705
Less current portion	<u>(1,100,000)</u>
	<u>\$ 31,510,705</u>

Other non-current liabilities

Deferred revenue	<u>\$ 567,978</u>	<u>\$ 465,406</u>	<u>\$ (477,978)</u>	<u>\$ 555,406</u>	<u>\$ 485,406</u>
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Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

On September 30, 2004, the University issued \$14,250,000 in Building Refunding Revenue Bonds (the “2004 Series”), with interest rates of 1.55% to 5.0%, to advance refund \$12,610,000 of the \$15,995,000 of then-outstanding Series 1999 bonds (the “1999 Series”). Net proceeds of approximately \$14,111,355 (after the payment of underwriting fees, insurance and other costs) were used by the University to pay for the defeasement of the 1999 Series bonds maturing between July 1, 2010 and July 1, 2029, which have been called for redemption and payment on July 1, 2009.

The advance refunding of the 1999 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,501,355, which is being amortized over the remaining life of the 1999 Series bonds through July 1, 2029. The total amount of amortization on this refunding cost for the year ended June 30, 2005 amounted to \$74,326.

Upon completion of this refunding, the University did not extend its debt service payments. The original maturity of the 1999 Series bonds was July 1, 2029. The University obtained an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$752,507 on this refunding.

Proceeds from the sale of the 2004 Series bonds were deposited into an irrevocable escrow account with an escrow agent to provide for future debt service. The debt service requirements of the defeased 1999 Series bonds as of June 30, 2005 are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2006	753,451	—	753,451
2007	753,451	—	753,451
2008	753,451	—	753,451
2009	753,451	—	753,451
2010	13,363,451	12,610,000	753,451

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires the refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2005, the outstanding balances of bond series that have been refunded and defeased in substance by placing the proceeds of new bonds in irrevocable escrow accounts that provide for all future debt service payments were \$12,610,000.

Building Revenue Bonds – Series 1999

The 1999 Series bonds consist of serial bonds due in annual principal payments ranging from \$435,000 to \$630,000 mature between July 1, 2006 and July 1, 2013 and bear interest at rates ranging from 5.25% to 5.55% payable semi-annually. In addition, term bonds bearing interest at 6.25%, 6.00% and 6.125% in the amounts of \$2,125,000, \$3,895,000 and \$4,265,000, are due July 1, 2016, July 1, 2022 and July 1, 2029, respectively.

Washburn University of Topeka

Notes to Financial Statements

June 30, 2005 and 2004

The 1999 Series bonds maturing in the years 2010 and thereafter are subject to optional redemption and payment prior to maturity on July 1, 2009. The bonds maturing on July 1, 2016, July 1, 2020 and July 1, 2029 are subject to mandatory redemption and payment pursuant to the redemption schedules, at the principal amount plus accrued interest to the date fixed for redemption and payment without premiums on July 1, 2014 through July 1, 2029 in amounts ranging from \$415,000 to \$915,000. \$12,610,000 of the 1999 Series bonds were advanced refunded on September 1, 2004 through the issuance of the 2004 Series bonds, as discussed above.

Building Revenue Bonds – Series 2001A and 2001B

The 2001A Series bonds consist of serial bonds due in annual principal payments ranging from \$320,000 to \$650,000, maturing between July 1, 2006 and July 1, 2020 and bear interest at rates ranging from 3.45% to 5.15% payable semi-annually. In addition, term bonds bearing interest at 5.50% in the amount of \$465,000 and \$490,000 are due July 1, 2015 and July 1, 2016, respectively.

The 2001B Series bonds consist of serial bonds due in annual principal payments ranging from \$95,000 to \$190,000, maturing between July 1, 2006 and July 1, 2022 and bear interest at rates ranging from 3.45% to 5.15% payable semi-annually. In addition, term bonds bearing interest at 5.50% in the amount of \$135,000 each are due July 1, 2015 and July 1, 2016.

The 2001A and B Series bonds maturing in the years 2010 and thereafter are subject to optional redemption and payment prior to maturity on July 1, 2009. The Series 2001A and B bonds maturing on July 1, 2016 (Series 2001A and 2001B Term bonds) are subject to mandatory redemption and payment pursuant to the redemption schedules, at the principal amount plus accrued interest to the date fixed for redemption and payment without premiums on July 1, 2015 and July 1, 2016 in the amounts of \$465,000 and \$490,000 for the Series 2001A Term bonds and on July 1, 2015 and July 1, 2016 in the amounts of \$135,000 each on the Series 2001B Term bonds.

Building Revenue Bonds – Series 2003

The 2003 Series bonds consist of serial bonds due in annual principal payments ranging from \$290,000 to \$440,000 and mature between July 1, 2006 and July 1, 2019. The 2003 Series bonds bear interest at rates ranging from 2.00% to 4.00% payable semi-annually. In addition, term bonds bearing interest at 4.10% and 4.30% in the amounts of \$930,000 and \$1,010,000 are due July 1, 2021 and July 1, 2023, respectively.

The 2003 Series bonds maturing in the years 2010 and thereafter are subject to optional redemption and payment prior to maturity on July 1, 2009. The 2003 Series bonds maturing on July 1, 2021 and July 1, 2023 are subject to mandatory redemption and payment pursuant to the redemption schedules at the principal amount plus accrued interest to the date fixed for redemption and payment without premiums on July 1, 2020 through July 1, 2023 in amounts ranging from \$455,000 to \$515,000.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Building Refunding Revenue Bonds – Series 2004

The 2004 Series bonds consist of serial bonds due in annual principal payments ranging from \$120,000 to \$955,000 and mature between July 1, 2006 and July 1, 2019. The 2004 Series bonds bear interest at rates ranging from 1.75% to 5.00% payable semi-annually. In addition, term bonds bearing interest at 5.00%, 4.50% and 5.00% in the amounts of \$1,930,000, \$2,340,000 and \$1,350,000 are due July 1, 2023, July 1, 2027 and July 1, 2029, respectively.

The 2004 Series bonds maturing in the years 2015 and thereafter are subject to optional redemption and payment prior to maturity on July 1, 2014. The 2004 Series bonds maturing on July 1, 2023, July 1, 2027 and July 1, 2029 are subject to mandatory redemption and payment pursuant to the redemption schedules at the principal amount plus accrued interest to the date fixed for redemption and payment without premiums on July 1, 2020 through July 1, 2028 in amounts ranging from \$445,000 to \$660,000.

The annual requirements to amortize all debt outstanding at June 30, 2005, including interest payments, are as follows:

Year Ending June 30,	Building Revenue Bonds		Total
	Principal	Interest	
2006	\$ 1,260,000	\$ 1,417,498	\$ 2,677,498
2007	1,310,000	1,372,225	2,682,225
2008	1,355,000	1,320,115	2,675,115
2009	1,415,000	1,264,435	2,679,435
2010	1,470,000	1,201,940	2,671,940
2011-2015	8,175,000	5,212,495	13,387,495
2016-2020	9,560,000	3,313,430	12,873,430
2021-2025	5,715,000	1,246,770	6,961,770
2026-2030	<u>2,580,000</u>	<u>320,700</u>	<u>2,900,700</u>
	<u>\$ 32,840,000</u>	<u>\$ 16,669,608</u>	<u>\$ 49,509,608</u>

Note 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. The Plan cost to the University for the years ended June 30, 2005 and 2004 was approximately \$2,945,000 and \$2,408,000, respectively.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Note 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 2005 and 2004, 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, 2005 and 2004 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, 2005 and 2004 are as follows:

	2005	2004
Claims payable, beginning of year	\$ 151,859	\$ 310,674
Incurred claims	3,573,285	3,346,806
Claim payments	(3,359,419)	(3,505,621)
Claims payable, end of year	\$ 365,725	\$ 151,859

Claims payable is included in accounts payable and accrued liabilities on the statement of net assets.

Note 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 that 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
June 30, 2005 and 2004

Note 11: Change in Accounting Principle

In 2005, the University adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, by retroactively restating prior year's financial statements. This new standard revises the requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of Statement No. 40 had no effect on the net assets and change in net assets in the prior or current year.

Note 12: Washburn Endowment Association – Accounting Policies and Disclosures

Basis of Presentation

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

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Investments

Investments are presented in the financial statements at fair market value based upon quoted market prices or at estimated fair value as reported by fund managers. The Association has a policy or pooling assets for investment purposes, unless donor restrictions prohibit such pooling. Income received from pooled assets of the Association's endowment fund is allocated to various funds on a share basis calculated on the market value of the entire pool. A portion of the investment return is allocated to the funds in accordance with the Association's spending policy.

The Association maintains a significant portion of its total assets in a combination of stocks, bonds, fixed income securities and other investment securities. 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.

All investment income and realized and unrealized gains and losses are reported on the statement of activities and classified as unrestricted, unless restricted by the donor or applicable law.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Permanently restricted investments are recorded at the fair market at the date of the gift. Losses on permanently restricted investments first reduce any appreciation reflected in temporarily restricted investments, and any remaining loss reduces unrestricted net assets.

Pledges Receivables — Promises to Give

Unconditional promises to give that are expected to be received within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are determined using risk-free rates applicable to the years in which the promises are received.

Conditional promises to give are not recorded until such time as the conditions are substantially met.

Contributions

All contributions and bequests are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association are recorded as permanently restricted net assets. Contributions whose restrictions lapse, expire or are otherwise met in the same reporting year as the contribution is received are recorded as unrestricted.

Furniture and Equipment

Furniture and equipment are stated at cost or estimated fair value at date of donation. Major additions and improvements are capitalized, while ordinary maintenance and repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Association is subject to unrelated business income tax for any operations outside its exempt status. The Association is not classified as a private foundation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Cash and Equivalents

Cash and cash equivalents include cash deposits in commercial banks with original maturities of three months or less. From time to time, the Association maintains cash balances in excess of federally insured limits; however, the Association's management maintains the financial stability of these financial institutions and believes the risk of loss is minimal.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amount reported in the statement of financial position for cash and cash equivalents approximates fair value.

Investments and Beneficial Interests in Trusts

The fair values of marketable debt and equity securities are based on quoted market prices. Investments that have no quoted market price are recorded at fair value as determined by the investment custodians. Other investments, including real estate, are recorded at their fair market value or appraised value at the date of gift.

Bequests Receivable

The carrying amount reported in the statements of financial position for bequests receivable approximates fair value.

Note Receivable

The carrying amount reported in the statement of financial position for the notes receivable approximates fair value.

Charitable Gift Annuities

The carrying amount reported in the statement of financial position for charitable gift annuities approximates fair value.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Pledges Receivable

Pledges receivable include the following unconditional promises to give at June 30, 2005 and 2004:

	2005	2004
Unrestricted	\$ 81,846	\$ 102,711
Temporarily restricted	7,530,552	7,335,457
Permanently restricted	948,846	1,725,618
Agency	153,534	—
	\$ 8,714,778	\$ 9,163,786

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

Receivable in less than one year	\$ 1,214,132	\$ 1,504,405
Receivable in one to five years	1,399,481	1,500,165
Thereafter	6,101,165	6,159,216
	8,714,778	9,163,786
Less allowance for uncollectible pledges	168,300	185,588
Less unamortized discount at 5%	4,793,390	4,870,712
Interest income	\$ 3,753,088	\$ 4,107,486

The Association has been notified of additional promises to give that are expected to be collected in future periods, principally through wills and revocable trusts. As such, these promises to give are considered conditional and have not been recorded in the financial statements.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Investments

Investments consisted of the following at June 30, 2005 and 2004:

	2005		2004	
	Cost	Fair Value	Cost	Fair Value
Short-term money market funds	\$ 1,604,816	\$ 1,604,816	\$ 2,095,852	\$ 2,095,852
U.S. government agencies	4,776,016	4,968,601	14,533,184	14,717,663
Common stock	16,666,435	18,683,049	4,959,115	6,471,019
Mid cap equity growth	6,223,842	6,574,418	—	—
Large cap equity index fund	27,285,913	30,126,654	46,228,331	46,575,729
Small cap equities	5,953,179	6,666,404	3,708,461	7,948,601
Foreign equities	16,140,774	16,550,277	6,182,137	7,699,153
Corporate and foreign bonds	140,711	142,558	—	—
Fixed income securities	11,423,080	11,323,113	13,980,269	14,263,010
Hedge funds	6,000,000	6,276,120	—	—
Private placement equity investments	1,591,349	1,591,349	—	—
Municipal bonds	—	—	539,756	513,766
Life insurance policies	354,154	354,154	351,187	351,187
Other	154,750	154,279	154,750	154,074
Total as of June 30, 2005	<u>\$ 98,315,019</u>	<u>\$ 105,015,792</u>	<u>\$ 92,733,042</u>	<u>\$ 100,790,054</u>

As of June 30, 2005 and 2004, the Association held and managed \$33,125,829 and \$33,141,406, respectively, of investments on behalf of the University and \$6,561,314 and \$5,514,611, respectively, on behalf of the Law School Foundation.

The Association has committed \$3,000,000 to one of the investment funds included above, of which \$1,091,349 had been invested at June 30, 2005. The Association has also committed \$4,000,000 to another investment fund, of which no amounts had been invested at June 30, 2005.

Amounts included in the investment income for the years ended June 30, 2005 and 2004 were:

	2005	2004
Dividends and interest	\$ 1,393,163	\$ 1,711,114
Net realized gain	5,436,984	4,176,737
Net unrealized gain (loss)	<u>(1,016,826)</u>	<u>2,001,512</u>
	<u>\$ 5,813,321</u>	<u>\$ 7,889,363</u>

Program services expense included \$316,510 and \$576,662 for the years ended June 30, 2005 and 2004, respectively.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Beneficial Interests in Trusts

Beneficial interests in trusts include the following at June 30, 2005 and 2004:

	2005	2004
Beneficial interest in perpetual trusts	\$ 4,924,777	\$ 4,781,367
Beneficial interest in trust agreement	1,553,071	1,535,704
Beneficial interest in charitable remainder trusts	1,490,191	429,300
	\$ 7,968,039	\$ 6,746,371

The beneficial interest in perpetual trusts represents trust arrangements in which the Association does not exercise control over the trust assets; however, the Association does receive specified distributions over the term of the trust. The Association's interest in the trust is recorded at the present value of the estimated future cash flows from each trust, which generally approximates the fair market value of these trusts.

The beneficial interest in trust agreement represents a fund that was established in November 2002 when the trust of a donor made a distribution of \$1,807,857 to the Topeka Community Foundation to administer. The fund agreement states that for the five years following the death of the donor, distributions will be made to the beneficiaries based on the percentages stated in the agreement. Upon the fifth anniversary of the date of death of the donor, 10% of the fund will be retained by the Topeka Community Foundation. The remaining 90% will be distributed to the Association. The Association's interest in the trust is recorded at the present value of the estimated future cash flows.

A discount rate of 5% was generally used in determining the present value of the estimated future cash flows for these trusts. Changes in the fair value of these trusts are recorded in the statement of activities consistent with how the contribution was originally recorded.

Charitable Gift Annuities

The Association is the recipient of various charitable gift annuities. The annuity payment liability is recognized at the present value of future cash flows expected to be paid to the annuitants. The present value is based on a discount rate and the remaining life expectancy of the annuitants.

Net Assets

The Association's temporarily restricted net assets are restricted to expenditures related to University support. Accordingly, net assets were released from restrictions during the year by incurring expenses satisfying University support.

Permanently restricted net assets consist of endowment funds.

The fair value of assets held in certain donor-restricted endowment funds is less than the amount provided by donors. The total deficiency as of June 30, 2005 for individual donor-restricted endowment funds was \$1,152,525.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Pension Plan

The Association provides retirement benefits for all full-time employees through individual annuities with TIAA-CREF. Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are paid by the Association and were \$131,514 and \$123,628 for the years ended June 30, 2005 and 2004, respectively.

Related Party

Under the terms of a management agreement executed between the Association and the University, the University is to receive an annual allocation of earnings distribution at an amount equal to 5%, or such other percentage as the parties later agree, of the market value of pooled endowed funds averaged over the period of 21 quarters ending on the 31st day of December of the year preceding distribution. In addition, this annual allocation is to include the net income distributed on funds other than the pooled endowed funds. The amount due to the University for undistributed earnings at June 30, 2005 and 2004 was \$3,408,829 and \$3,433,791, respectively. The Association also owes the University \$1,393,526 for amounts related to current gifts, an entrepreneurial fund, and reimbursement of operating expenses.

During 2005, the Association provided direct support in the amount of \$6,330,325 and, additionally, made distributions from agency accounts in the amount of \$1,893,394.

Related Parties — Agency

The Association holds and manages certain assets of the University and Law School Foundation under the terms of separate management agreements. Combined agency transactions were as follows during the years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Fair market value of agency accounts at beginning of year	\$ 39,063,217	\$ 31,273,598
Transferred on behalf of Law School Foundation	—	5,201,801
Contributions	296,589	838,304
Non-gift income	560,257	—
Net investment income	2,895,205	4,746,342
Distributions	(1,893,394)	(1,680,693)
Expense allocation for administration	<u>(1,094,196)</u>	<u>(1,316,135)</u>
Fair market value of agency accounts at end of year	<u>\$ 39,827,678</u>	<u>\$ 39,063,217</u>

Net Asset Reclassifications

During 2005, management performed an extensive review of the donor agreements. As a result, reclassifications were made between unrestricted, temporarily restricted and permanently restricted net assets reported in the prior period.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Note 13: Washburn Law School Foundation – Accounting Policies and Disclosures

Organization

Washburn Law School Foundation (the Foundation) is a Kansas not-for-profit organization created in 1980 to support the Washburn University School of Law (the Law School). The Foundation is also responsible for the fundraising activities of the Law School.

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.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributions

All contributions and bequests are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation are recorded as permanently restricted net assets. Contributions whose restrictions lapse, expire or are otherwise met in the same reporting year as the contribution is received are recorded as unrestricted.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to unrelated business income tax for any operations outside its exempt status. The Foundation is not classified as a private foundation.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in commercial banks with original maturities of three months or less.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Due from Washburn Endowment Association

The Foundation has an agreement with Washburn Endowment Association (the Association) whereby the Association provides administration and investment services to the Foundation. Due from Washburn Endowment Association consists of investments and earnings held at the Association for the benefit of the Foundation. These amounts are pooled with other funds held by the Association for investment purposes.

The pooled funds consist of money market funds, government securities, domestic and foreign equity securities, domestic and foreign fixed income securities, hedge funds and private placement equity investments. 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 reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

Investments are included in the financial statements at fair market value based upon quoted market prices or at estimated fair value as reported by fund managers. Income received from pooled assets of the Association's endowment fund is allocated to various funds on a share basis calculated on the market value of the entire pool. A portion of the investment return is allocated to the funds in accordance with the Association's spending policy.

All investment income and realized and unrealized gains and losses are reported on the statement of activities and classified as unrestricted unless restricted by the donor or applicable law. Permanently restricted investments are recorded at the fair market value at the date of the gift. Losses on permanently restricted investments first reduce an appreciation reflected in temporarily restricted investments and any remaining loss reduces unrestricted net assets.

Amounts included in return in investments for the years ended June 30, 2005 and 2004 were:

	2005	2004
Interest and dividends	\$ 144,885	\$ 126,059
Realized gain	648,436	14,293
Unrealized gains (losses)	(136,313)	736,551
	\$ 657,008	\$ 876,903

General and administrative expense includes \$203,759 and \$0 to the Association for incurred expenses related to the administration of the funds for the years ended June 30, 2005 and 2004, respectively.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2005 and 2004

Real Estate

The Foundation holds title to certain parcels of land in Butler and Johnson counties. The Butler County real estate is under a farm lease and has been adjusted to the county appraiser's value. At June 30, 2005, the Johnson County real estate is under contract for sale and has been adjusted to the sales price of \$2,600,000 less a \$260,000 deposit paid to the Foundation during 2005. Under the terms of the contract, the buyer is to pay the Association \$10,000 each month that the closing date is extended. In 2006, the contract was amended to provide for payments of \$18,000 each month that the contract is extended through September 2006.

Net Assets

The 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.

Prior Period Adjustment

The amount recorded as due from Washburn Endowment Association as of June 30, 2004 was overstated by \$495,279. Accordingly, an adjustment of the same amount was made during 2005 to reduce beginning net assets as of July 1, 2004.

**Supplementary Information Required
for Revenue Bonds**

Washburn University of Topeka
Schedule 1 — Revenues, Expenditures and Comparison with Budget
General Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 30,597,747	\$ 30,167,042	\$ (430,705)
Income from endowment fund	985,000	1,110,431	125,431
Sales tax and other taxes	16,384,105	16,341,465	(42,640)
Reimbursement from employee benefit fund	15,000	—	(15,000)
State aid	10,557,396	10,802,575	245,179
Other income	3,179,843	2,490,458	(689,385)
Transfer from smoothing fund	800,000	—	(800,000)
Auxiliary enterprises	<u>8,318,499</u>	<u>8,104,511</u>	<u>(213,988)</u>
Total revenues	<u>70,837,590</u>	<u>69,016,482</u>	<u>\$ (1,821,108)</u>
Expenditures			
Instruction	28,289,308	29,825,909	\$ 1,536,601
Public service, academic support and research	9,944,961	9,679,038	(265,923)
Student services	5,337,708	5,709,182	371,474
Institutional support	6,946,819	6,871,311	(75,508)
Maintenance of plant	5,864,275	5,584,432	(279,843)
Scholarships and fellowships	1,301,408	1,653,264	351,856
Other expenses and transfers	7,464,689	9,959,070	2,494,381
Contingency	3,250,000	—	(3,250,000)
Auxiliary enterprises	<u>8,281,301</u>	<u>6,691,062</u>	<u>(1,590,239)</u>
Total expenditures	<u>76,680,469</u>	<u>75,973,268</u>	<u>\$ (707,201)</u>
Decrease in Fund Balance	<u>\$ (5,842,879)</u>	(6,956,786)	
Fund Balance, Beginning of Year		<u>14,943,253</u>	
Fund Balance, End of Year		<u>\$ 7,986,467</u>	

Washburn University of Topeka
Schedule 2 — Revenues, Expenditures and Comparison with Budget
Debt Retirement and Construction Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,144,974	\$ 3,373,328	\$ 228,354
Fees for parking improvements	25,038	25,038	—
Neighborhood revitalization	47,509	—	(47,509)
Investment income	107,025	230,356	123,331
Other income	250,000	250,000	—
Transfer from other funds—LLC debt service	<u>2,130,820</u>	<u>2,130,820</u>	<u>—</u>
Total revenues	<u>5,705,366</u>	<u>6,009,542</u>	<u>\$ 304,176</u>
Expenditures			
Bond principal	1,100,000	1,365,000	\$ (265,000)
Interest and commissions on bonds	1,617,937	1,434,834	183,103
Transfers for construction, repairs or equipping of new or existing buildings	2,925,038	2,949,126	(24,088)
Other	<u>200,000</u>	<u>28</u>	<u>199,972</u>
Total expenditures	<u>5,842,975</u>	<u>5,748,988</u>	<u>\$ 93,987</u>
Increase (Decrease) in Fund Balance	<u>\$ (137,609)</u>	260,554	
Fund Balance, Beginning of Year		<u>6,634</u>	
Fund Balance, End of Year		<u>\$ 267,188</u>	

Washburn University of Topeka
Schedule 3 — Revenues, Expenditures and Comparison with Budget
Employee Benefits Contribution Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 15,000	\$ —	\$ <u>(15,000)</u>
Expenditures			
Payment to the general fund	<u>15,000</u>	<u>—</u>	<u>\$ 15,000</u>
Increase in Fund Balance	<u>\$ —</u>	<u>—</u>	
Fund Balance, Beginning of Year		<u>—</u>	
Fund Balance, End of Year		<u>\$ —</u>	

Washburn University of Topeka
Schedule 4 — Revenues, Expenditures and Comparison with Budget
Tort Claim Liability Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 326,697	\$ 328,066	\$ 1,369
Investment income	21,259	27,694	6,435
Neighborhood revitalization	<u>4,973</u>	<u>—</u>	<u>(4,973)</u>
Total revenues	<u>352,929</u>	<u>355,760</u>	<u>\$ 2,831</u>
Expenditures			
Insurance premium	298,171	396,458	\$ (98,287)
Litigation expense	700,000	61,910	638,090
Miscellaneous expense	119,844	—	119,844
Contingency	<u>500,000</u>	<u>—</u>	<u>500,000</u>
Total expenditures	<u>1,618,015</u>	<u>458,368</u>	<u>\$ 1,159,647</u>
Decrease in Fund Balance	<u>\$ (1,265,086)</u>	(102,608)	
Fund Balance, Beginning of Year		<u>1,308,439</u>	
Fund Balance, End of Year		<u>\$ 1,205,831</u>	

Washburn University of Topeka
Schedule 5 — Revenues, Expenditures and Comparison with Budget
Sales Tax Smoothing Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ <u>300,000</u>	\$ <u>3,690,814</u>	\$ <u>3,390,814</u>
Expenditures			
Transfer to debt retirement and construction fund	—	250,000	\$ (250,000)
Transfer to building construction fund	3,000,000	3,550,000	(550,000)
Transfer to general fund	<u>800,000</u>	<u>—</u>	<u>800,000</u>
Total expenditures	<u>3,800,000</u>	<u>3,800,000</u>	\$ <u>—</u>
Decrease in Fund Balance	\$ <u>(3,500,000)</u>	(109,186)	
Fund Balance, Beginning of Year		<u>5,232,569</u>	
Fund Balance, End of Year		\$ <u>5,123,383</u>	

Washburn University of Topeka
Schedule 6 — Revenues, Expenditures and Comparison with Budget
Capital Improvement Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ —
Interest income	5,000	5,917	917
Transfer from general fund	<u>500,000</u>	<u>71,000</u>	<u>(429,000)</u>
Total revenues	<u>1,395,000</u>	<u>966,917</u>	<u>\$ (428,083)</u>
Expenditures			
Capital expenses	1,142,918	762,854	\$ 380,064
Non-mandatory transfers	<u>890,000</u>	<u>890,000</u>	<u>—</u>
Total expenditures	<u>2,032,918</u>	<u>1,652,854</u>	<u>\$ 380,064</u>
Decrease in Fund Balance	<u>\$ (637,918)</u>	(685,937)	
Fund Balance, Beginning of Year		<u>869,964</u>	
Fund Balance, End of Year		<u>\$ 184,027</u>	

Washburn University of Topeka
Schedule 7 — Cash Receipts and Expenditures – 2001 A & B Bond Issue
Year Ended June 30, 2005

	Year Ended June 30, 2005	Project Inception to June 30, 2005
	<hr/>	<hr/>
Revenues and Other Additions		
2001 bond proceeds	\$ —	\$ 11,200,000
Accrued bond interest at issuance date	—	36,607
Original issue premium on bonds	—	64,950
1999 bond proceeds allocated to LLC Phase II	—	861,903
Transfers for debt service	486,893	1,485,030
Transfer from smoothing fund	2,500,000	2,500,000
Transfer from other capital projects	630,000	630,000
Private contributions	<u>902,781</u>	<u>2,786,245</u>
Total revenues and other additions	<u>4,519,674</u>	<u>19,564,735</u>
Expenditures and Other Deductions		
Bond issuances costs	—	245,700
Bond insurance	—	79,166
Projects		
Art building	2,757,759	3,323,936
LLC Phase II	—	3,134,405
Moore Bowl	—	4,817,991
Student fitness center	1,287,678	5,334,563
Interest expense paid	<u>486,893</u>	<u>1,787,234</u>
Total expenditures and other deductions	<u>4,532,330</u>	<u>18,722,995</u>
Excess of Cash Receipts Over (Under) Expenditures	(12,656)	\$ <u><u>841,740</u></u>
Cash and Investments, Beginning of Year	<u>854,396</u>	
Cash and Investments, End of Year	\$ <u><u>841,740</u></u>	

Washburn University of Topeka
Schedule 8 — Cash Receipts and Expenditures – 2003 Bond Issue
Year Ended June 30, 2005 and Since Project Inception

	Year Ended June 30, 2005	Project Inception to June 30, 2005
	<hr/>	<hr/>
Revenues and Other Additions		
Bond proceeds	\$ —	\$ 7,500,000
Transfer for debt service	540,820	540,820
Accrued bond interest at issuance date	<u>—</u>	<u>7,829</u>
Total revenues and other additions	<u>540,820</u>	<u>8,048,649</u>
Expenditures and Other Deductions		
Bond issuances costs	—	174,317
Bond insurance	—	81,942
Original issue discount on bonds	—	7,440
Projects		
Transitional housing project	1,487,218	7,108,461
Interest expense paid	<u>250,820</u>	<u>528,392</u>
Total expenditures and other deductions	<u>1,738,038</u>	<u>7,900,552</u>
Excess of Cash Receipts Over (Under) Expenditures	(1,197,218)	\$ <u>148,097</u>
Cash and Investments, Beginning of Year	<u>1,345,315</u>	
Cash and Investments, End of Year	\$ <u>148,097</u>	

Washburn University of Topeka
Schedule 9 — Cash Receipts and Expenditures – 2004 Bond Issue
Year Ended June 30, 2005 and Since Project Inception

	Year Ended June 30, 2005	Project Inception to June 30, 2005
	<u> </u>	<u> </u>
Revenues and Other Additions		
Bond proceeds	\$ 14,250,000	\$ 14,250,000
Transfers for debt service	450,398	450,398
Original issue premium on bonds	<u>294,915</u>	<u>294,915</u>
Total revenues and other additions	<u>14,995,313</u>	<u>14,995,313</u>
Expenditures and Other Deductions		
Bond issuances costs	277,233	277,233
Bond insurance	154,096	154,096
Amount transferred to escrow account	14,111,355	14,111,355
Interest expense paid	<u>450,398</u>	<u>450,398</u>
Total expenditures and other deductions	<u>14,993,082</u>	<u>14,993,082</u>
Excess of Cash Receipts Over (Under) Expenditures	2,231	<u><u>\$ 2,231</u></u>
Cash and Investments, Beginning of Year	<u>—</u>	
Cash and Investments, End of Year	<u><u>\$ 2,231</u></u>	

Washburn University of Topeka
Schedule 10 — Operations of the Living Learning Center
Year Ended June 30, 2005

	<u>Year Ended June 30, 2005</u>
Revenues	
Room rental	\$ 1,107,875
Less vacancy loss	<u>(34,727)</u>
Net income from room rental	1,073,148
Receipts from coin machines, forfeited initial pay, guests, etc.	52,183
Reimbursement – employee benefits	<u>7,730</u>
Total revenues	<u>1,133,061</u>
Expenses	
Salaries, director and resident assistants	106,901
Salaries, custodial	57,613
Benefits	7,730
Insurance	17,867
Utilities, telephone and cable	205,837
Repairs and operating supplies	55,124
Laundry	2,989
Contracted services	7,933
Travel	<u>—</u>
Total expenses	<u>461,994</u>
Net Operating Income	671,067
Debt Service	<u>(500,000)</u>
Excess of Cash Receipts Over Expenditures	<u>\$ 171,067</u>

Supplementary Information

Washburn University of Topeka
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Student Financial Aid			
Federal Family Education Loan Program	U. S. Department of Education	84.032	\$ 32,552,908
Federal Supplemental Educational Opportunity Grant Program	U. S. Department of Education	84.007	215,875
Federal Work-Study Program	U. S. Department of Education	84.033	301,892
Federal Perkins Loan Program	U. S. Department of Education	84.038	1,641,947
Federal Pell Grant Program	U. S. Department of Education	84.063	<u>5,298,273</u>
Total Student Financial Aid Cluster			<u>40,010,895</u>
Research and Development Cluster			
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services/ University of Kansas Medical Center	93.389	1,677
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services/ University of Kansas Medical Center	93.389	<u>50,276</u>
Total Research and Development Cluster			<u>51,953</u>
Other			
Leveraging Educational Assistance	U.S. Department of Education / Kansas Board of Regents	84.069	45,373
Special Education State Program Improvement 2003	U.S. Department of Education / Kansas Department of Education	84.323	320
Special Education State Program Improvement 2004	U.S. Department of Education / Kansas Department of Education	84.323	8,067
Perkins III Program Improvement 2004	U.S. Department of Education / Kansas Board of Regents	84.048	122,888
Public Telecommunications Facilities Program – KTWU Digital Equipment Grant	U.S. Department of Commerce	11.550	202,481
National Youth Sports Program	U.S. Department of Health and Human Services/National Youth Sports Corporation	93.570	3,522
National Youth Sports Program	U.S. Department of Health and Human Services/National Youth Sports Corporation	93.570	30,415
Ready to Learn	U.S. Department of Education/ Kansas Department of Education & Public Broadcasting Service	84.295	86,553
Kan Be Healthy	U.S. Department of Health and Human Services/Kansas Department of Social and Rehabilitation Services	93.778	59,914
Preventative Health – Battered Women’s Task Force	U.S. Department of Health and Human Services/Young Women’s Christian Association	93.991	7

Washburn University of Topeka
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Campus Resource Officer	U.S. Department of Justice / Kansas Criminal Justice Coordinating Council	16.579	\$ 36,389
Cops Universal Hiring	U.S. Department of Justice	16.710	33,681
Small Business Development Center 2004	Small Business Administration / Fort Hays State University	59.037	42,890
Sexual Violence Surveillance	Center for Disease Control / Kansas Department of Health and Environment	93.136	10,466
Jumpstart	Corporation for National and Community Service/Americorps/Jumpstart for Young Children, Inc.	94.006	51,804
Electronic Reserves Pilot Project	Institute of Museum and Library Services/ State Library of Kansas	45.310	2,081
Small Business Development Center – 2005	Small Business Administration / Fort Hays State University	59.037	36,745
National Youth Sports Program – Summer 2005	U.S. Department of Health and Human Services/National Youth Sports Corporation	93.570	40,649
Pilot Math Project	U.S. Department of Education/Kansas State Department of Education	84.164	2,000
Curriculum Center – 2004	U.S. Department of Education / Kansas State Department of Education	84.048	2,205
Echo Grant Phase II	U.S. Department of Education / Kansas State Department of Education	84.323A	14,402
Vocational Education – Curriculum Center	U.S. Department of Education / Kansas State Department of Education	84.048	208,289
Weed and Seed Projects	U.S. Department of Justice / City of Topeka	16.595	<u>9,309</u>
Total Other			<u>1,050,450</u>
Total			<u>\$ 41,113,298</u>

Notes to Schedule:

1. This schedule includes the federal awards activity of Washburn University of Topeka and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. Of the federal expenditures presented in this schedule, Washburn University of Topeka provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
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No awards were provided to subrecipients.



**Independent Accountants' 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 the financial statements of Washburn University of Topeka and its discretely presented component units as of and for the year ended June 30, 2005, and have issued our report thereon dated September 27, 2005, except for information related to Washburn Law School Foundation as to which the date is October 26, 2005. 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. The financial statements of Washburn Endowment Association 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Board of Regents
Washburn University of Topeka
Page 2

We noted certain matters that we reported to the University's management in a separate letter dated September 27, 2005.

This report is intended solely for the information and use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
September 27, 2005



Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Compliance

We have audited the compliance of Washburn University of Topeka with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of Washburn University of Topeka based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, Washburn University of Topeka complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

Internal Control Over Compliance

The management of Washburn University of Topeka is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

This report is intended solely for the information and use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
September 27, 2005

Washburn University of Topeka
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Reportable condition(s) noted considered material weakness(es)? Yes No
 Reportable condition(s) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Reportable condition(s) noted considered material weakness(es)? Yes No
 Reportable condition(s) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Family Education Loan Program	84.032
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

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,233,399.

9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Washburn University of Topeka
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable.	None

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
05-01	<p><u>Student Financial Aid Cluster</u> U.S. Department of Education CFDA Nos. 84.032, 84.007, 84.033, 84.038 and 84.063 – Federal Family Education Loan Program, Federal Supplemental Education Opportunity Grant Program, Federal Work-Study Program, Federal Perkins Loan Program and Federal Pell Grant Program</p> <p>Criteria or Specific Requirement – Special Test and Provisions</p> <p>Condition – Students who withdrew or dropped classes during the year did not receive a refund within the required 30 days from the determination of the students’ last day of attendance.</p> <p>Context – Out of a population of 532 students who withdrew or dropped out during the year, 33 student files were tested. In eight of the 33, we noted the resulting adjustment from the refund calculation was not posted to the student account within 30 days from the determination of students’ last day of attendance.</p> <p>Effect – Refunds were not made within the required 30 days after determination of the students’ last day of attendance.</p> <p>Cause – During 2005, the actual process moved from the Business Office to the Financial Aid Office due to module design change. Due to a lack of guidance from software consultants, the University discovered that part of the process resided in the student module, which caused major delays in the return of Title IV funds.</p> <p>Recommendation – The University should implement procedures to ensure refunds are made within the required 30 days after the determination of the students’ last day of attendance.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The Financial Aid Office has the return to Title IV refund process in compliance and is working with the University Registrar and Business Office to process calculations in a timely manner.</p>	None

Washburn University of Topeka
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2005

Reference Number	Finding	Questioned Costs
05-02	<p><u>Student Financial Aid Cluster</u> U.S. Department of Education CFDA Nos. 84.032 and 84.038 – Federal Family Education Loan Program and Federal Perkins Loan Program</p> <p>Criteria or Specific Requirement – Special Test and Provisions Federal regulations require the University to notify a student or parent in writing or electronically whenever the University credits the student’s account with FFEL or FPL funds. The notification must include:</p> <ul style="list-style-type: none"> • the date and amount of the disbursement; • the right of the student or parent to cancel all or a portion of the loan; and • the procedures and the time by which the student or parent borrower must notify the University that he or she wishes to cancel the loan or a portion of the loan. <p>This notification of crediting a student’s account with loan funds must be sent no earlier than 30 days before and no later than 30 days after crediting the student’s account.</p> <p>Condition – FFEL and FPL borrowers were not being notified of the right to cancel all or a portion of the loans or the time by which the student or parent borrower must notify the University of their wishes to cancel the loan or a portion of the student’s account.</p> <p>Context – We noted the University e-mails students, if FFEL or FPL funds are posted to the student’s accounts. However, this notification does not include notification of the student’s or parent’s right to cancel all or a portion of the loan. Furthermore, the notification does not include the procedures and the time by which the student or parent borrower must notify the school that he or she wishes to cancel all or a portion of the loan.</p> <p>Effect – Creates the potential that students could borrow more than they needed under the FFEL and FPL program.</p> <p>Cause – The University had recently changed its software system and these requirements had not been implemented in the new software system for 2005.</p> <p>Recommendation - The University should implement procedures to ensure the required notifications are being performed in accordance with federal regulations.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The Financial Aid Office has corrected this process and is contacting all borrowers directly of “right to cancel” within the appropriate time frame.</p>	None

Washburn University of Topeka
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2005

Reference Number	Summary of Finding	Status
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No matters were reportable.