

Washburn University of Topeka

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

June 30, 2007 and 2006



Washburn University of Topeka

June 30, 2007 and 2006

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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 years ended June 30, 2007 and 2006, 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 audits. We did not audit the financial statements of Washburn Endowment Association (total assets of \$164,094,556 and \$137,330,621 as of June 30, 2007 and 2006, respectively, and total revenue of \$24,532,148 and \$20,578,279, respectively, for the years then ended) or the Washburn Law School Foundation (total assets of \$11,374,947 and \$9,808,729 as of June 30, 2007 and 2006, respectively, and total revenue of \$2,086,415 and \$1,560,878, respectively, for the years 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.

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 audits and the reports of other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports 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, 2007 and 2006 and the respective changes in financial position and cash flows for the years 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 November 12, 2007, 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 and the other accountants 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 audits were 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 audits 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

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

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, 2007 and comparative data for the fiscal years ended June 30, 2006 and 2005. 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 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

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

on the University as a whole and present a long-term view of the University's finances. These statements present financial information in a form similar to that used by private corporations. Over time, increases or decreases in net 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, 2007

The University's financial position remained strong at June 30, 2007, with total assets of \$178.7 million and liabilities of \$37.6 million compared to \$167.0 million and \$36.1 million, respectively, at June 30, 2006. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$141.1 million at June 30, 2007. This is a 7.8 percent increase over last fiscal year's net assets of \$130.9 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$40.1 million and operating expenses were \$79.4 million, resulting in a loss from operations of \$39.3 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 net nonoperating revenues are taken into account. Nonoperating revenues, including the state operating grant and local appropriations (sales tax), net of nonoperating expenses, were \$48.3 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$10.2 million compared to \$4.2 million for the year ended June 30, 2006.

Financial Highlights for Fiscal Year Ended June 30, 2006

The University's financial position remained strong at June 30, 2006, with total assets of \$167.0 million and liabilities of \$36.1 million compared to \$163.4 million and \$36.7 million, respectively, at June 30, 2005. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$130.9 million at June 30, 2006. This is a 3.3 percent increase over last fiscal year's net assets of \$126.7 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$40.3 million and operating expenses were \$77.4 million, resulting in a loss from operations of \$37.1 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 \$40.1 million which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$4.2 million compared to \$6.6 million for the year ended June 30, 2005.

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

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.

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.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Condensed Statements of Net Assets
As of June 30, 2007, 2006 and 2005

	2007	2006	2005
Assets			
Current assets	\$ 42,414,522	\$ 49,784,143	\$ 45,589,666
Capital assets, net	83,685,827	75,042,217	74,629,941
Other assets	52,576,033	42,218,195	43,217,342
Total assets	<u>178,676,382</u>	<u>167,044,555</u>	<u>163,436,949</u>
Liabilities			
Current liabilities	9,611,021	6,830,139	6,171,866
Noncurrent liabilities	27,959,395	29,289,726	30,524,903
Total liabilities	<u>37,570,416</u>	<u>36,119,865</u>	<u>36,696,769</u>
Total net assets	<u>\$ 141,105,966</u>	<u>\$ 130,924,690</u>	<u>\$ 126,740,180</u>
Net Assets consists of			
Invested in capital assets, net of debt	\$ 53,946,908	\$ 44,686,155	\$ 43,260,235
Restricted - nonexpendable	43,596,342	38,980,421	37,129,903
Restricted - expendable	31,439,975	36,053,244	33,025,472
Unrestricted	12,122,741	11,204,870	13,324,570
Total net assets	<u>\$ 141,105,966</u>	<u>\$ 130,924,690</u>	<u>\$ 126,740,180</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 2007 Compared to Fiscal Year 2006

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$42.4 million at June 30, 2007. Total current assets at June 30, 2007 cover current liabilities 4.4 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 38.2 percent of total net assets at June 30, 2007, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted expendable net 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.

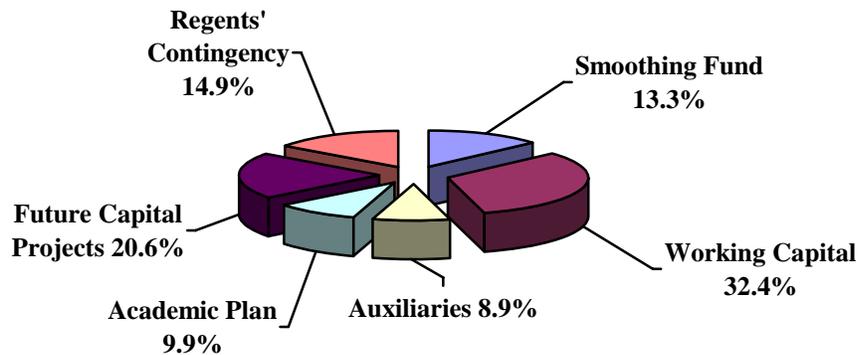
Washburn University of Topeka

Management's Discussion and Analysis

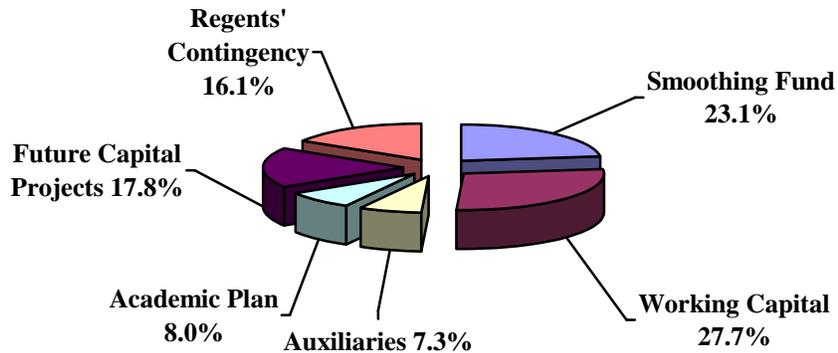
Years Ended June 30, 2007 and 2006

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, 2007 and 2006:

**Unrestricted Net Assets
June 30, 2007**



**Unrestricted Net Assets
June 30, 2006**



Washburn University of Topeka

Management's Discussion and Analysis

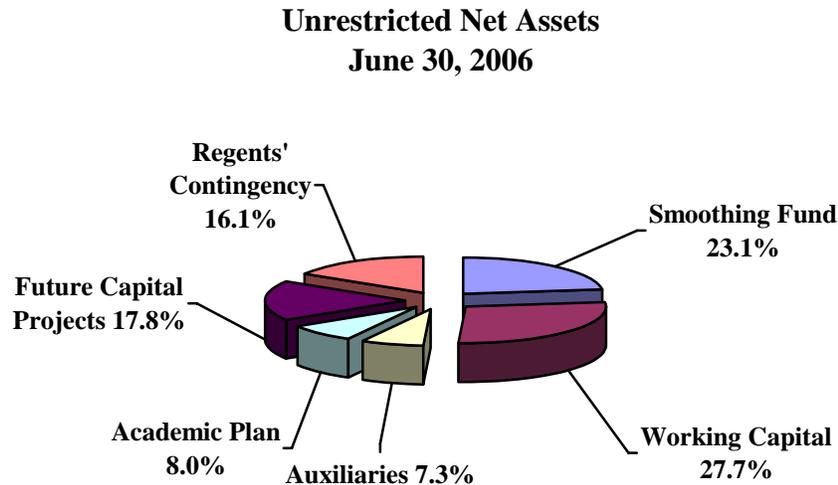
Years Ended June 30, 2007 and 2006

Fiscal Year 2006 Compared to Fiscal Year 2005

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$49.8 million at June 30, 2006. Total current assets at June 30, 2006 cover current liabilities 7.3 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 34.1 percent of total net assets at June 30, 2006, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

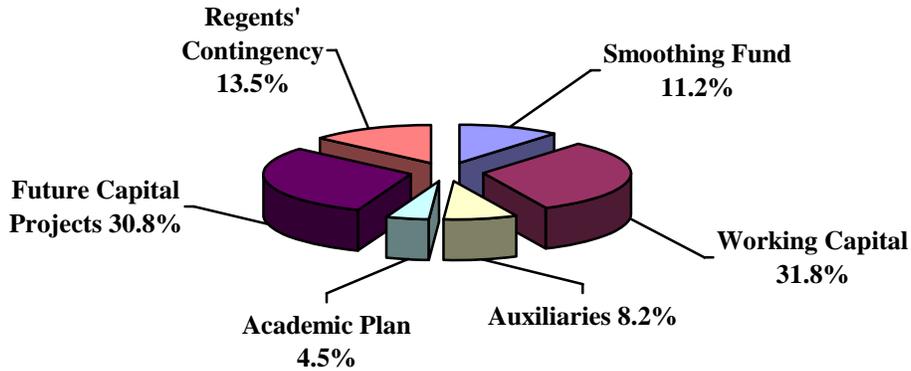
Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by external 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, 2006 and 2005:



Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Unrestricted Net Assets
June 30, 2005



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.

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, 2007, 2006 and 2005.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

**Condensed Statements of Revenues, Expenses
and Changes in Net Assets
For the Years Ended June 30, 2007, 2006 and 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 40,142,247	\$ 40,331,097	\$ 37,459,553
Operating expenses	79,448,203	77,375,827	73,541,423
	(39,305,956)	(37,044,730)	(36,081,870)
Nonoperating revenues and expenses	48,306,536	40,142,736	39,886,713
Income before other revenues	9,000,580	3,098,006	3,804,843
Other revenues	1,180,696	1,086,504	2,759,164
Increase in net assets	10,181,276	4,184,510	6,564,007
Net assets at beginning of year	130,924,690	126,740,180	120,176,173
Net assets at end of year	<u>\$ 141,105,966</u>	<u>\$ 130,924,690</u>	<u>\$ 126,740,180</u>

Fiscal Year 2007 Compared to Fiscal Year 2006

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets of \$10.2 million during the year ended June 30, 2007 compared to \$4.2 million during fiscal year 2006. Some highlights of the information provided in these statements follow.

Revenues

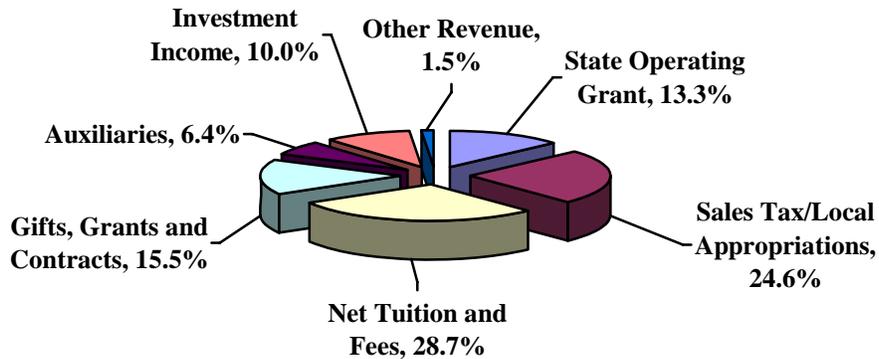
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2007 and 2006.

Washburn University of Topeka

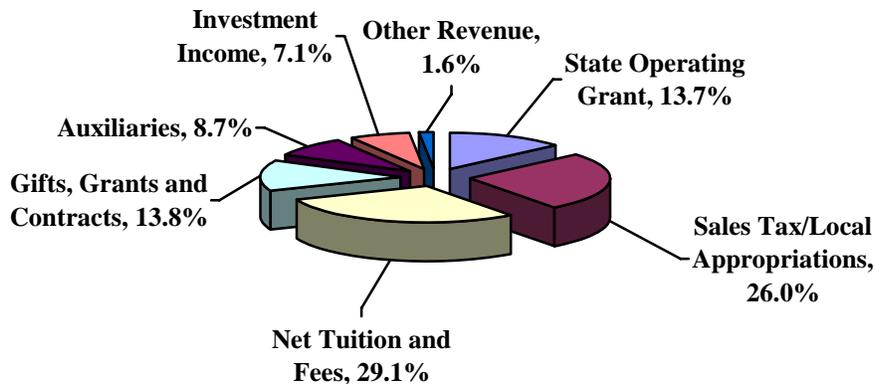
Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

**Revenues by Source
Year Ended June 30, 2007**



**Revenues by Source
Year Ended June 30, 2006**



Sales tax/local appropriations and the state operating grant comprise 37.9 percent of the University's revenue for the year ended June 30, 2007 compared to 39.7 percent for the year ended June 30, 2006. The next largest revenue source was net tuition and fees, comprising 28.7 percent of revenue for the year ended June 30, 2007 compared to 29.1 percent for the year ended June 30, 2006.

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.

Washburn University of Topeka

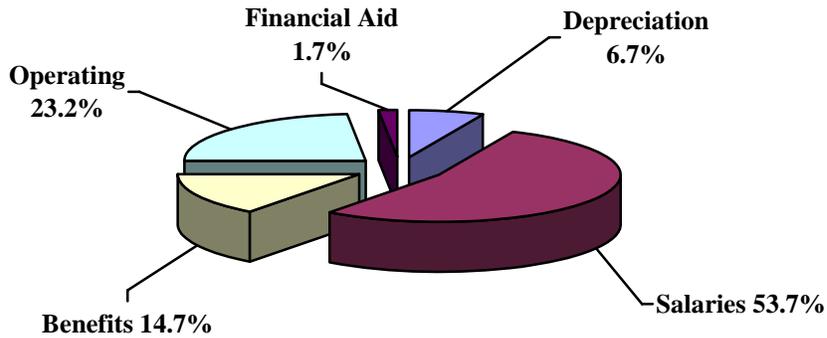
Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

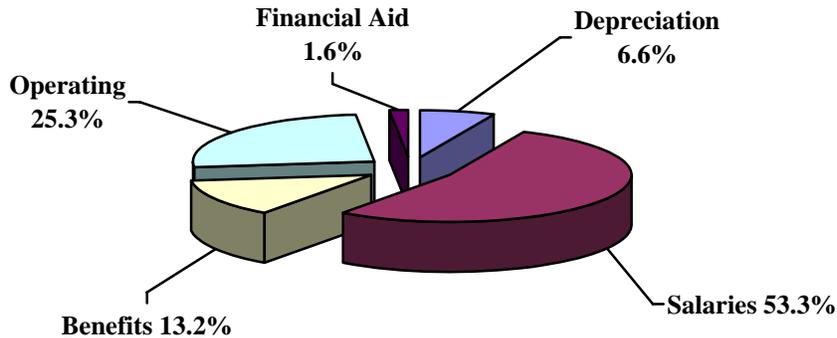
Expenses

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, 2007 and 2006.

**Operating Expenses by Natural Classification
Year Ended June 30, 2007**



**Operating Expenses by Natural Classification
Year Ended June 30, 2006**



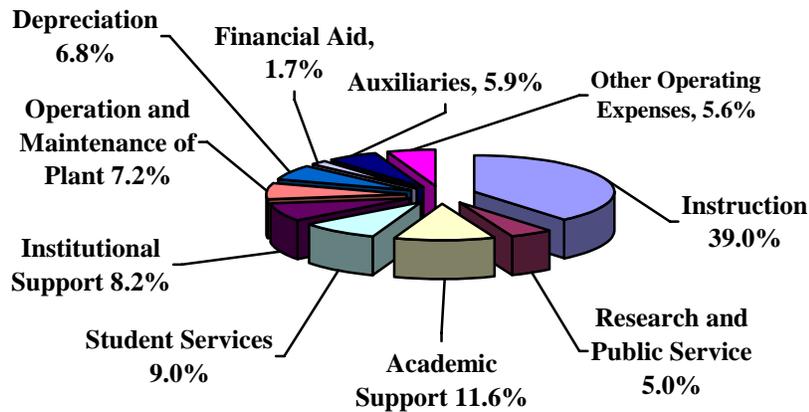
Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

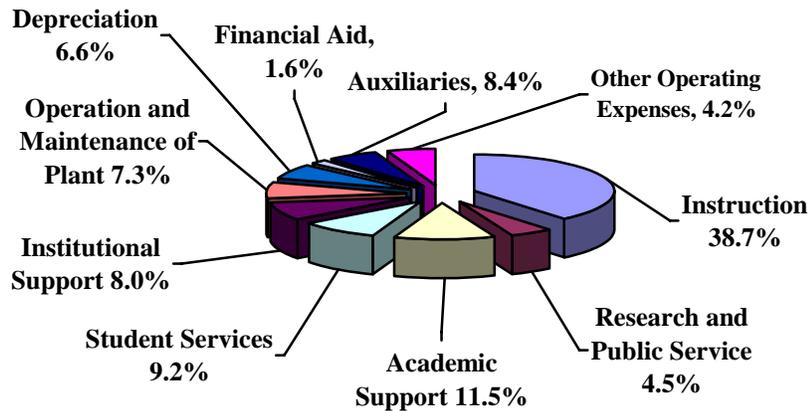
Salaries and benefits comprise 68.4 percent of expenses by natural classification for the year ended June 30, 2007 compared to 66.5 percent for the year ended June 30, 2006. Operating expenses represent 23.2 percent of total expenses for the year ended June 30, 2007 compared to 25.3 percent for the year ended June 30, 2006. Financial aid and depreciation represent the remaining 8.4 percent of expenses for the year ended June 30, 2007 compared to 8.2 percent for the year ended June 30, 2006.

Operating Expenses by Function Year Ended June 30, 2007



Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Operating Expenses by Function
Year Ended June 30, 2006



Operating expenses by function indicate 39.0 percent is attributable to instruction for the year ended June 30, 2007 compared to 38.7 percent for the year ended June 30, 2006. The percentages for the remaining operating expenses by functional area range from 11.6 percent for academic support to 1.7 percent for financial aid for the year ended June 30, 2007 compared to 11.5 percent for academic support to 1.6 percent for financial aid for the year ended June 30, 2006.

Fiscal Year 2006 Compared to Fiscal Year 2005

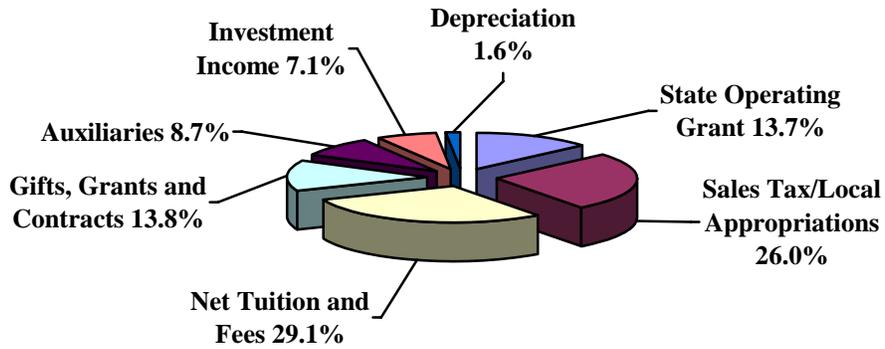
The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets of \$4.2 million during the year ended June 30, 2006 compared to \$6.6 million during fiscal year 2005. Some highlights of the information provided in these statements follow.

Revenues

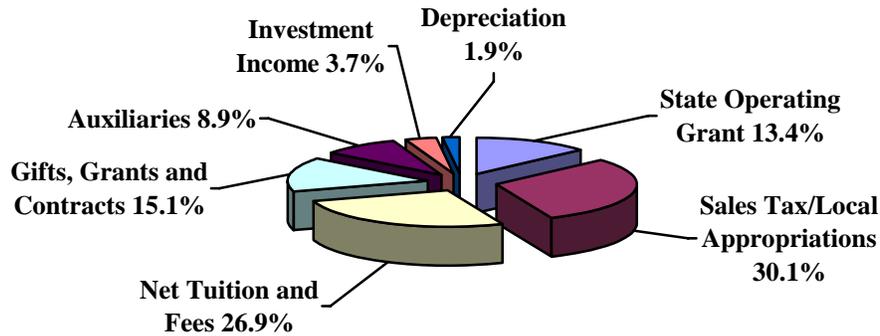
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2006 and 2005.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Revenues by Source
Year Ended June 30, 2006



Revenues by Source
Year Ended June 30, 2005



Sales tax/local appropriations and the state operating grant comprise 39.7 percent of the University's revenue for the year ended June 30, 2006 compared to 43.5 percent for the year ended June 30, 2005. The next largest revenue source was net tuition and fees, comprising 29.1 percent of revenue for the year ended June 30, 2006 compared to 26.9 percent for the year ended June 30, 2005.

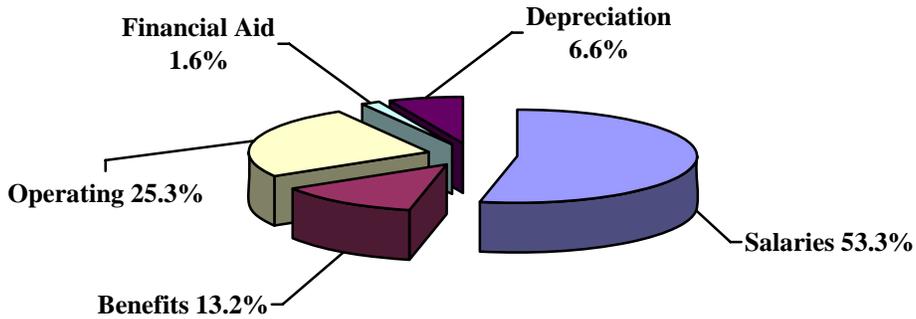
The University continues efforts to enhance its revenue base, along with pursuing cost containment initiatives. This is necessary as the University continues to face increased compensation and benefit costs, and volatile technology and energy prices.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

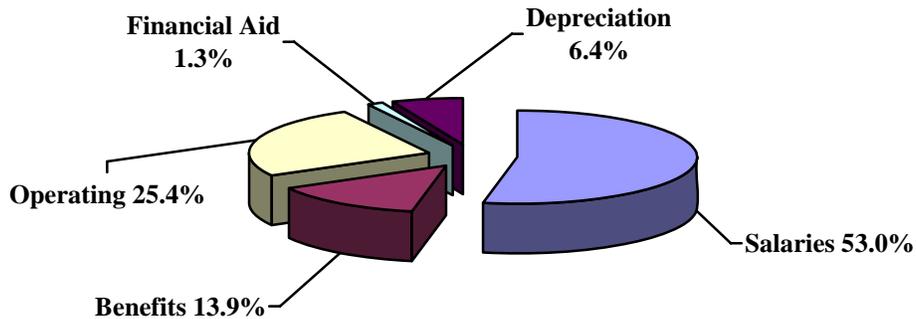
Expenses

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, 2006 and 2005.

Operating Expenses by Natural Classification
Year Ended June 30, 2006



Operating Expenses by Natural Classification
Year Ended June 30, 2005



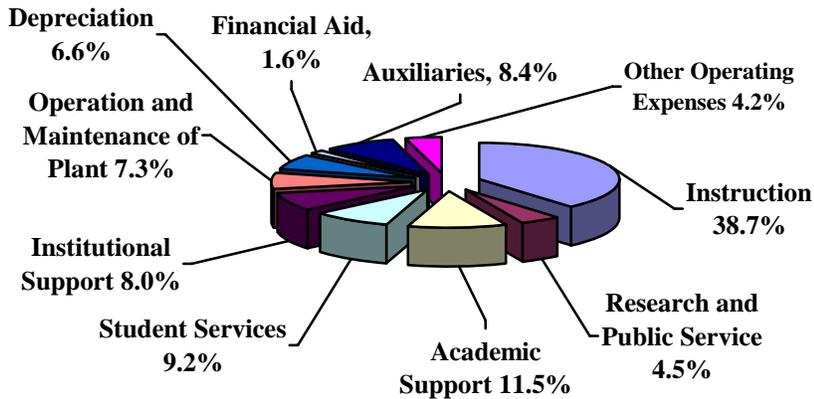
Washburn University of Topeka

Management's Discussion and Analysis

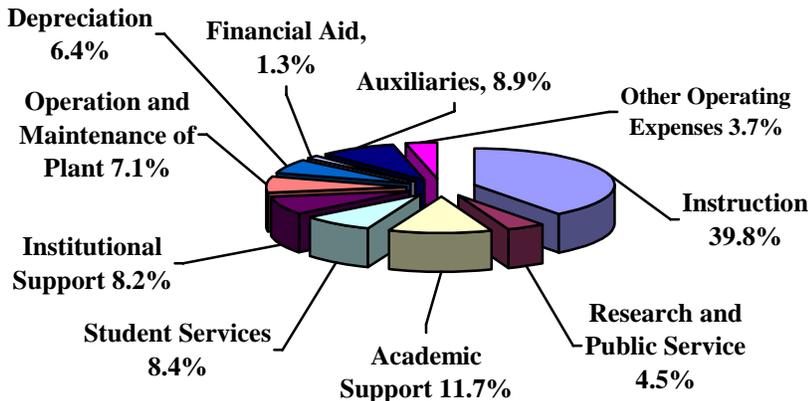
Years Ended June 30, 2007 and 2006

Salaries and benefits comprise 66.5 percent of expenses by natural classification for the year ended June 30, 2006 compared to 66.9 percent for the year ended June 30, 2005. Operating expenses represent 25.3 percent of total expenses for the year ended June 30, 2006 compared to 25.4 percent for the year ended June 30, 2005. Financial aid and depreciation represent the remaining 8.2 percent of expenses for the year ended June 30, 2006 compared to 7.7 percent for the year ended June 30, 2005.

**Operating Expenses by Function
Year Ended June 30, 2006**



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



Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

Operating expenses by function indicate 38.7 percent is attributable to instruction for the year ended June 30, 2006 compared to 39.8 percent for the year ended June 30, 2005. The percentages for the remaining operating expenses by functional area range from 11.5 percent for academic support to 1.6 percent for financial aid for the year ended June 30, 2006 compared to 11.7 percent for academic support to 1.3 percent for financial aid for the year ended June 30, 2005.

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.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Condensed Statements of Cash Flows
For the Years Ended June 30, 2007, 2006 and 2005

	2007	2006	2005
Cash provided (used) by			
Operating activities	\$ (34,995,673)	\$ (34,403,266)	\$ (35,097,482)
Noncapital financing activities	38,142,497	37,659,881	39,875,197
Capital and related financing activities	(14,619,548)	(6,564,746)	(8,584,612)
Investing activities	12,351,429	3,709,486	1,578,557
Net increase (decrease) in cash	878,705	401,355	(2,228,340)
Cash, beginning of year	7,332,221	6,930,866	9,159,206
Cash, end of year	\$ 8,210,926	\$ 7,332,221	\$ 6,930,866

Fiscal Year 2007 Compared to Fiscal Year 2006

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 approximately \$879,000 for the fiscal year ended June 30, 2007 compared to an increase of approximately \$401,000 for the fiscal year ended June 30, 2006.

Fiscal Year 2006 Compared to Fiscal Year 2005

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 approximately \$401,000 for the fiscal year ended June 30, 2006 compared to a decrease of approximately \$2.2 million for the fiscal year ended June 30, 2005.

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

Washburn University of Topeka
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Years Ended June 30, 2007 and 2006

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 2007 and 2006. At June 30, 2007, the University had \$83.7 million invested in capital assets, net of accumulated depreciation, compared to \$75.0 million and \$74.6 million at June 30, 2006 and 2005, respectively. Depreciation charges totaled \$5.4 million for the fiscal year ended June 30, 2007 compared to \$5.1 million and \$4.7 million for the fiscal years ended June 30, 2006 and 2005, respectively.

Details of these assets are as follows:

Schedule of Capital Assets, Net of Depreciation
As of June 30, 2007, 2006 and 2005

	2007	2006	2005
Land	\$ 1,444,449	\$ 1,560,721	\$ 1,451,428
Buildings, improvements and infrastructure	59,397,944	57,023,592	58,848,155
Furniture, fixtures and equipment	3,174,929	3,071,045	3,391,624
Computer and electronic equipment	2,075,152	2,673,731	2,119,432
Books and collections	1,860,681	1,920,005	2,045,701
Broadcasting tower, antenna and equipment	2,864,035	3,006,757	2,801,364
Vehicles	301,953	285,357	277,029
Works of art and historical treasures	2,437,984	2,437,984	2,437,984
Construction in progress	10,128,700	3,063,025	1,257,224
Total	<u>\$ 83,685,827</u>	<u>\$ 75,042,217</u>	<u>\$ 74,629,941</u>

Major capital additions during the fiscal year ended June 30, 2007 include 1729 SW MacVicar (new Washburn Endowment Association building), the Mulvane Art Museum renovation, and the installation of artificial turf at Moore Bowl.

The major projects classified as construction in progress at June 30, 2007 are the Stoffer renovation, resurfacing of the track at Moore Bowl, and the School of Business Technology Center.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Major capital additions during the fiscal year ended June 30, 2006 include the telephone system and related consulting, renovation of the bookstore, roof replacement on Garvey Hall, the Harvey Garden located at the Art Building, and various software projects (Miranda HD/SD Imagestore software for KTWU (television station), TouchNet Student Account Suite and TMA Workorder).

The major projects classified as construction in progress at June 30, 2006 are 1729 SW MacVicar (Washburn Endowment Association Project), Mulvane Art Museum renovation and the Stoffer renovation.

Debt

At June 30, 2007 the University had \$30.3 million in outstanding debt compared to \$31.6 million at June 30, 2006 and \$32.8 million at June 30, 2005. 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.

Outstanding Debt Schedule
As of June 30, 2007, 2006 and 2005

	2007	2006	2005
Building Revenue Bonds			
Series 1999	\$ 995,000	\$ 1,455,000	\$ 1,890,000
Series 2001 A & B	9,185,000	9,610,000	10,025,000
Series 2003	6,350,000	6,650,000	6,940,000
Series 2004	13,740,000	13,865,000	13,985,000
Total	<u>\$ 30,270,000</u>	<u>\$ 31,580,000</u>	<u>\$ 32,840,000</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 to defease 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 \$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 years ended June 30, 2007 and 2006.

Washburn University of Topeka

Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

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.

The University received an additional increase of \$555,060 to its state operating grant for fiscal year 2005-2006, thus bringing the state operating grant to \$11,112,456. For fiscal year 2006-2007, an additional \$555,060, including \$100,000 to offset the phase out of out-district tuition, was budgeted, resulting in a budgeted operating grant amount of \$11,667,516. However, the amount ultimately received from the state was \$200,000 less than budgeted. Based on information provided by the state, a total operating grant amount of \$12,126,216 (an increase of \$658,000 over actual fiscal year 2006-2007 receipts) has been budgeted for the 2007-2008 fiscal year.

During fiscal year 2004-2005, actual sales tax collections exceeded the amount budgeted. While sales tax collections exceeded budget projections for two fiscal years, the amount of collections remained 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.

During fiscal year 2005-2006, sales tax collections were \$18,572,887, which was \$544,645 less than the amount budgeted. This shortfall underscored the volatility of sales tax collections, and reinforced the wisdom of the University's practice of budgeting sales tax collections conservatively. Accordingly, the budgeted sales tax collections for fiscal year 2006-2007 were set at \$19,290,719, which is slightly less than the average collections of the three preceding fiscal years.

Actual sales tax collections during fiscal year 2006-2007 were \$18,977,272, which was \$313,447 less than the amount budgeted, but \$404,385 higher than in the previous fiscal year. Because sales tax collections have remained below fiscal year 2004-2005 levels, the budgeted sales tax collections for fiscal year 2007-2008 have remained at \$19,290,719, the same as in the two previous fiscal years.

For fiscal year 2006-2007, the Regents approved a tuition increase of 6.7%. When combined with the slight decline in student credit hours during the fiscal year, this generated approximately \$1.2 million of new revenue.

Washburn University of Topeka
Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

For fiscal year 2007-2008, the Regents approved a base tuition increase of 5.7%. In addition, the University will begin charging a differential tuition rate for business and nursing courses. Students taking business courses will pay an additional \$25 per credit hour for those courses, while students will pay an additional \$15 per credit hour for nursing courses. Although the University expects a slight decline in student credit hours, the combination of the tuition increase and the differential tuition is expected to generate approximately \$2.5 million in new revenue.

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, 2007 and 2006

Assets

	2007	2006
Current Assets		
Cash and cash equivalents	\$ 8,210,926	\$ 7,332,221
Short-term investments	20,049,776	29,249,776
Taxes receivable	3,950,581	4,114,697
Accounts receivable, net of allowance; 2007 - \$1,080,000, 2006 - \$710,000	4,282,820	3,315,245
Receivable from Washburn Endowment Association	4,523,618	4,864,332
Inventories	897,064	798,773
Other assets	499,737	109,099
Total current assets	42,414,522	49,784,143
Noncurrent Assets		
Perkins loans receivable	1,057,397	1,136,176
Receivable from Washburn Endowment Association	40,517,126	36,747,673
Equity in the net assets of Washburn Endowment Association	9,939,709	3,252,428
Endowment investments	347,280	298,352
Bond issuance costs, net of accumulated amortization; 2007 - \$655,725, 2006 - \$586,680	714,521	783,566
Capital assets, net	83,685,827	75,042,217
Total noncurrent assets	136,261,860	117,260,412
Total assets	\$ 178,676,382	\$ 167,044,555

Liabilities and Net Assets

	<u>2007</u>	<u>2006</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,442,659	\$ 3,248,622
Accrued compensated absences	1,367,369	1,340,421
Deferred revenue	1,100,783	571,707
Building revenue bonds, current portion	1,355,000	1,310,000
Deposit held in custody for others	<u>345,210</u>	<u>359,389</u>
Total current liabilities	<u>9,611,021</u>	<u>6,830,139</u>
Non-current Liabilities		
Deferred revenue	—	50,000
Building revenue bonds	<u>27,959,395</u>	<u>29,239,726</u>
Total noncurrent liabilities	<u>27,959,395</u>	<u>29,289,726</u>
Total liabilities	<u>37,570,416</u>	<u>36,119,865</u>
Net Assets		
Invested in capital assets, net of related debt	53,946,908	44,686,155
Restricted		
Nonexpendable		
Endowments	43,596,342	38,980,421
Expendable		
Scholarships, tuition and other	9,789,790	6,957,821
Loans	1,499,974	1,549,841
Self-insurance	2,511,658	3,188,993
Capital projects	11,574,984	19,526,681
Debt service	3,173,307	2,035,446
Other	2,890,262	2,794,462
Unrestricted	<u>12,122,741</u>	<u>11,204,870</u>
Total net assets	<u>141,105,966</u>	<u>130,924,690</u>
Total liabilities and net assets	<u>\$ 178,676,382</u>	<u>\$ 167,044,555</u>

Washburn University of Topeka
Washburn Endowment Association
Statements of Financial Position
June 30, 2007 and 2006

Assets

	2007	2006
Cash and cash equivalents	\$ 807,125	\$ 2,019,178
Investments	146,790,629	118,601,312
Bequests receivable	1,599,825	623,600
Pledges receivable, less allowance for uncollectible pledges; 2007 – \$184,028, 2006 – \$185,808	7,007,422	6,914,321
Accrued investment income receivable	483,456	285,046
Note receivable	83,040	78,949
Beneficial interests in trusts	7,142,978	8,688,068
Furniture and equipment, net of accumulated depreciation; 2007 – \$39,355, 2006 – \$70,155	180,081	120,147
Total assets	\$ 164,094,556	\$ 137,330,621

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 123,007	\$ 32,738
Accrued payroll, taxes and benefits	169,772	126,955
Due to Washburn University of Topeka	303,619	4,183,651
Charitable gift annuities	325,495	327,435
Funds managed on behalf of Washburn University of Topeka	42,214,975	36,119,080
Funds managed on behalf of Washburn Law School		
Foundation School of Law	11,361,637	7,334,072
Other	99,741	95,191
Total liabilities	54,598,246	48,219,122

Net Assets

Unrestricted	23,023,193	18,017,462
Temporarily restricted	41,909,458	29,916,370
Permanently restricted	44,563,659	41,177,667
Total net assets	109,496,310	89,111,499
Total liabilities and net assets	\$ 164,094,556	\$ 137,330,621

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

Statements of Financial Position

June 30, 2007 and 2006

Assets

	2007	2006
Due from Washburn University	\$ 13,310	\$ 22,955
Due from Washburn Endowment Association	11,361,637	7,334,072
Real estate, at fair value	—	2,404,670
Other assets	—	47,032
Total assets	\$ 11,374,947	\$ 9,808,729

Liabilities and Net Assets

Liabilities

Total liabilities	\$ —	\$ —
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Net Assets

Unrestricted	5,591,316	4,638,767
Temporarily restricted	1,318,977	771,953
Permanently restricted	4,464,654	4,398,009
Total net assets	11,374,947	9,808,729
Total liabilities and net assets	\$ 11,374,947	\$ 9,808,729

Washburn University of Topeka
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2007 and 2006

	2007	2006
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$8,410,789 and \$8,420,698, respectively)	\$ 26,286,705	\$ 25,047,576
Federal grants and contracts	6,739,840	6,617,969
Sales and services of educational departments	756,507	885,947
Auxiliary enterprises		
Residential living (net of scholarship allowances of \$116,993 and \$67,797, respectively; revenues are used as security for revenue bonds Series 1999, 2001 A and B, 2003 and 2004)	1,910,517	1,818,988
Memorial Union (revenues are used as security for revenue bonds Series 1999 and 2001 A and B)	3,925,647	5,608,809
Other operating revenues	523,031	351,808
Total operating revenues	40,142,247	40,331,097
Operating Expenses		
Educational and general		
Instruction	30,993,781	29,915,014
Research	113,638	131,971
Public service	3,878,550	3,369,142
Academic support	9,195,613	8,938,553
Student services	7,169,628	7,109,585
Institutional support	6,506,854	6,158,650
Operations and maintenance of plant	5,759,024	5,620,294
Depreciation	5,364,778	5,137,650
Financial aid	1,316,759	1,220,840
Auxiliary enterprises		
Residential Living	986,082	926,448
Memorial Union	3,681,786	5,603,006
Self-insurance claims, net of premiums	4,398,728	3,166,424
Other expenditures	82,982	78,250
Total operating expenses	79,448,203	77,375,827
Operating Loss	(39,305,956)	(37,044,730)
Nonoperating Revenues (Expenses)		
State appropriations	12,174,203	11,723,580
Local appropriations	22,551,193	22,278,336
Federal grants and contracts	1,047,590	829,965
State and local grants and contracts	278,617	99,335
Nongovernmental grants and contracts	111,999	761,739
Gifts	5,048,897	2,658,434
Investment income	9,140,592	6,075,614
Interest on indebtedness	(1,308,874)	(1,538,265)
Other nonoperating expenses	(737,681)	(2,746,002)
Net nonoperating revenues	48,306,536	40,142,736

Washburn University of Topeka
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2007 and 2006 (Continued)

	2007	2006
Income Before Other Revenues	\$ 9,000,580	\$ 3,098,006
Capital Grants – Federal	28,012	149,619
Capital Grants and Gifts – Non-Federal	1,013,509	791,595
Additions to Permanent Endowments	<u>139,175</u>	<u>145,290</u>
Increase in Net Assets	10,181,276	4,184,510
Net Assets, Beginning of Year	<u>130,924,690</u>	<u>126,740,180</u>
Net Assets, End of Year	<u>\$ 141,105,966</u>	<u>\$ 130,924,690</u>

Washburn University of Topeka
Washburn Endowment Association

Statement of Activities
Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Support				
Contributions	\$ 2,081,123	\$ 3,056,344	\$ 2,434,977	\$ 7,572,444
Change in beneficial interest	<u>63,527</u>	<u>149,496</u>	<u>520,900</u>	<u>733,923</u>
Total support	<u>2,144,650</u>	<u>3,205,840</u>	<u>2,955,877</u>	<u>8,306,367</u>
Revenues				
Investment income	5,481,133	9,312,495	97,888	14,891,516
Administration	1,088,267	—	—	1,088,267
Events	91,688	—	—	91,688
Other	<u>12,394</u>	<u>137,912</u>	<u>4,004</u>	<u>154,310</u>
Total revenues	<u>6,673,482</u>	<u>9,450,407</u>	<u>101,892</u>	<u>16,225,781</u>
Net Assets Released From Restrictions				
Satisfaction of program restrictions	<u>2,768,029</u>	<u>(2,768,029)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>11,586,161</u>	<u>9,888,218</u>	<u>3,057,769</u>	<u>24,532,148</u>
Expenses				
Program services	4,442,941	—	—	4,442,941
Management and general	1,304,970	—	—	1,304,970
Fundraising	<u>1,761,287</u>	<u>—</u>	<u>—</u>	<u>1,761,287</u>
Total expenses	<u>7,509,198</u>	<u>—</u>	<u>—</u>	<u>7,509,198</u>
Excess of Revenues Over Expenses	4,076,963	9,888,218	3,057,769	17,022,950
Reclassification of Funds	315,905	3,045,956	—	3,361,861
Net Interfund Transfer Related to Market Values of Endowed Funds Below Original Donor Contributions				
Other Interfund Transfers	<u>(62,101)</u>	<u>(266,122)</u>	<u>328,223</u>	<u>—</u>
Change in Net Assets	5,005,731	11,993,088	3,385,992	20,384,811
Net Assets, Beginning of Year	<u>18,017,462</u>	<u>29,916,370</u>	<u>41,177,667</u>	<u>89,111,499</u>
Net Assets, End of Year	<u>\$ 23,023,193</u>	<u>\$ 41,909,458</u>	<u>\$ 44,563,659</u>	<u>\$ 109,496,310</u>

Washburn University of Topeka
Washburn Endowment Association

Statement of Activities
Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Support				
Contributions	\$ 1,594,830	\$ 5,414,927	\$ 2,768,815	\$ 9,778,572
Change in beneficial interest	<u>—</u>	<u>338,778</u>	<u>566,581</u>	<u>905,359</u>
Total support	<u>1,594,830</u>	<u>5,753,705</u>	<u>3,335,396</u>	<u>10,683,931</u>
Revenues				
Investment income	3,706,187	4,740,927	118,742	8,565,856
Administration	1,086,501	—	—	1,086,501
Events	58,409	39,528	—	97,937
Other	<u>14,599</u>	<u>129,455</u>	<u>—</u>	<u>144,054</u>
Total revenues	<u>4,865,696</u>	<u>4,909,910</u>	<u>118,742</u>	<u>9,894,348</u>
Net Assets Released From Restrictions				
Satisfaction of program restrictions	<u>5,204,720</u>	<u>(5,204,720)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>11,665,246</u>	<u>5,458,895</u>	<u>3,454,138</u>	<u>20,578,279</u>
Expenses				
Program services	7,328,185	—	—	7,328,185
Management and general	1,156,943	—	—	1,156,943
Fundraising	<u>1,647,837</u>	<u>—</u>	<u>—</u>	<u>1,647,837</u>
Total expenses	<u>10,132,965</u>	<u>—</u>	<u>—</u>	<u>10,132,965</u>
Excess of Revenues Over Expenses	1,532,281	5,458,895	3,454,138	10,445,314
Net Interfund Transfer Related to Market Values of Endowed Funds Below Original Donor Contributions				
Other Interfund Transfers	<u>(47,871)</u>	<u>(154,701)</u>	<u>202,572</u>	<u>—</u>
Change in Net Assets	1,888,465	4,900,139	3,656,710	10,445,314
Net Assets, Beginning of Year	<u>16,128,997</u>	<u>25,016,231</u>	<u>37,520,957</u>	<u>78,666,185</u>
Net Assets, End of Year	<u>\$ 18,017,462</u>	<u>\$ 29,916,370</u>	<u>\$ 41,177,667</u>	<u>\$ 89,111,499</u>

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

**Statement of Activities
Year Ended June 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 174,747	\$ 850	\$ 51,676	\$ 227,273
Return on investments	864,481	810,287	15,742	1,690,510
Nongift and other income (expense)	168,852	553	(773)	168,632
Net assets released from restriction	<u>264,666</u>	<u>(264,666)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>1,472,746</u>	<u>547,024</u>	<u>66,645</u>	<u>2,086,415</u>
Expenses				
Program expenses				
Scholarships	148,187	—	—	148,187
Support of Law School	66,066	—	—	66,066
Management and general	<u>305,944</u>	<u>—</u>	<u>—</u>	<u>305,944</u>
Total expenses	<u>520,197</u>	<u>—</u>	<u>—</u>	<u>520,197</u>
Change in Net Assets	952,549	547,024	66,645	1,566,218
Net Assets, Beginning of Year	<u>4,638,767</u>	<u>771,953</u>	<u>4,398,009</u>	<u>9,808,729</u>
Net Assets, End of Year	<u>\$ 5,591,316</u>	<u>\$ 1,318,977</u>	<u>\$ 4,464,654</u>	<u>\$ 11,374,947</u>

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

**Statement of Activities
Year Ended June 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 152,784	\$ 700	\$ 139,158	\$ 292,642
Return on investments	361,504	558,985	21,929	942,418
Nongift and other income	322,358	—	3,460	325,818
Net assets released from restriction	<u>215,113</u>	<u>(215,113)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>1,051,759</u>	<u>344,572</u>	<u>164,547</u>	<u>1,560,878</u>
Expenses				
Program expenses				
Scholarships	288,030	—	—	288,030
Support of Law School	182,338	—	—	182,338
Management and general	<u>278,840</u>	<u>—</u>	<u>—</u>	<u>278,840</u>
Total expenses	<u>749,208</u>	<u>—</u>	<u>—</u>	<u>749,208</u>
Change in Net Assets	302,551	344,572	164,547	811,670
Net Assets, Beginning of Year	4,623,662	435,435	3,937,962	8,997,059
Reclassifications	<u>(287,446)</u>	<u>(8,054)</u>	<u>295,500</u>	<u>—</u>
Net Assets, End of Year	<u>\$ 4,638,767</u>	<u>\$ 771,953</u>	<u>\$ 4,398,009</u>	<u>\$ 9,808,729</u>

Washburn University of Topeka
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Tuition and fees	\$ 25,893,461	\$ 24,541,301
Grants and contracts	6,765,722	6,563,628
Auxiliary enterprise charges		
Residential Living	1,882,137	1,831,865
Memorial Union	3,950,893	5,684,446
Sales and services of educational departments	758,480	1,419,172
Collection of loans issued to students	369,902	451,679
Other receipts	375,364	277,973
Self-insurance premiums	267,380	115,480
Payments to suppliers	(13,477,160)	(18,414,653)
Payments to employees	(54,364,393)	(50,790,484)
Payments for scholarships and fellowships	(1,316,759)	(1,220,840)
Loans issued to students	(349,974)	(230,089)
Payments for self-insurance claims	<u>(5,750,726)</u>	<u>(4,632,744)</u>
Net cash used in operating activities	<u>(34,995,673)</u>	<u>(34,403,266)</u>
Noncapital Financing Activities		
State appropriations	12,174,203	11,723,580
Local appropriations	22,715,309	21,969,540
Gifts and grants from other than capital purposes	3,322,305	3,920,127
Endowment assets transferred to outside management	—	(17,382)
Endowment assets purchased	(31,472)	—
Federal Family Education loan receipts	42,020,820	42,794,920
Federal Family Education loan disbursements	(42,033,535)	(42,801,195)
Agency account transactions	<u>(25,133)</u>	<u>70,291</u>
Net cash provided by noncapital financing activities	<u>38,142,497</u>	<u>37,659,881</u>
Capital and Related Financing Activities		
Capital grants and gifts received	800,564	2,694,811
Proceeds from sale of capital assets	316,526	—
Purchase of capital assets	(13,054,407)	(6,582,059)
Principal paid on long-term debt	(1,310,000)	(1,260,000)
Interest paid on long-term debt	<u>(1,372,231)</u>	<u>(1,417,498)</u>
Net cash used in capital and related financing activities	<u>(14,619,548)</u>	<u>(6,564,746)</u>
Investing Activities		
Proceeds from sales and maturities of investments	47,900,000	58,744,448
Interest on investments	3,151,429	5,043,486
Purchase of investments	<u>(38,700,000)</u>	<u>(60,078,448)</u>
Net cash provided by investing activities	<u>12,351,429</u>	<u>3,709,486</u>
Increase in Cash and Cash Equivalents	878,705	401,355
Cash and Cash Equivalents, Beginning of Year	<u>7,332,221</u>	<u>6,930,866</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,210,926</u>	<u>\$ 7,332,221</u>

(Continued)

Washburn University of Topeka
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (39,305,956)	\$ (37,044,730)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	5,364,778	5,134,649
Provision for uncollectible accounts receivable	370,913	344,482
Write-off of Perkins loans	57,211	40,630
Changes in assets and liabilities		
Receivables, net	(1,252,809)	(940,114)
Inventories	(98,291)	(20,672)
Receivables from Washburn Endowment Association	22,983	516,951
Other assets	(390,639)	(20,632)
Perkins loans receivable	19,928	221,590
Accounts payable	(289,815)	(2,640,435)
Compensated absences	26,948	67,374
Deferred revenue	479,076	(62,359)
Net cash used in operating activities	\$ (34,995,673)	\$ (34,403,266)
Noncash Investing and Financing Transactions		
Change in fair value of investments	\$ 5,303,479	\$ 3,041,941
Capital gifts	8,795	—
Capitalization of interest	207,071	24,339
Capital additions included in accounts payable	12,819,380	(913,332)

Washburn University of Topeka

Notes to Financial Statements

June 30, 2007 and 2006

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 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, 2007 and 2006

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 and property taxes (included in local appropriations), 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, 2007 and 2006

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 \$207,071 and \$24,339 for the years ended June 30, 2007 and 2006, 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 capitalized. These assets must be used for the purpose set forth in the grant agreement between the University and the granting agency.

Washburn University of Topeka

Notes to Financial Statements

June 30, 2007 and 2006

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

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

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

Unrestricted Net Assets

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

Property Taxes

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 2006 amounts have been reclassified to conform to the 2007 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the years ended June 30, 2007 and 2006.

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, 2007 and 2006.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

At June 30, 2007 and 2006, the University had the following short-term investments (which have an original maturity date of one year or less):

	2007	2006
Certificates of Deposit		
Commerce Bank & Trust	\$ 18,046,000	\$ 18,049,776
Capital City Bank	2,000,000	3,200,000
Capital Federal Savings	3,776	3,000,000
Kaw Valley State Bank	—	5,000,000
	\$ 20,049,776	\$ 29,249,776

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, 2007 and 2006. The University currently does not maintain a formal investment policy that addresses interest rate or credit risks. However, management believes the University has complied with the State of Kansas' statutes and regulations regarding investment activity.

Investments of endowment funds at June 30, 2007 and 2006 consisted of the following:

	2007	2006
Preferred stocks, carried at fair value (cost of \$12,500 for 2007 and 2006)	\$ 12,690	\$ 12,575
Mutual funds, carried at fair value (cost at June 30 of \$275,362 and \$248,211, respectively)	303,118	285,777
Fixed income securities, carried at amortized cost (fair value at June 30 of \$31,472)	31,472	—
	\$ 347,280	\$ 298,352

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Contributions for scholarships and other activities	\$ 2,841,650	\$ 1,840,538
Held pledges receivable	104,243	106,624
Restricted endowment income	1,748,035	4,366,298
Unreimbursed operating expenses of the Association due to the University	83,758	185,167
University endowment funds managed by the Association (see activity below)	<u>40,263,058</u>	<u>35,113,378</u>
	<u>\$ 45,040,744</u>	<u>\$ 41,612,005</u>

Receivables from Washburn Endowment Association are presented in the statements of net assets as follows:

	<u>2007</u>	<u>2006</u>
Current receivable from Washburn Endowment Association	\$ 4,523,618	\$ 4,864,332
Noncurrent receivable from Washburn Endowment Association	<u>40,517,126</u>	<u>36,747,673</u>
	<u>\$ 45,040,744</u>	<u>\$ 41,612,005</u>

The University has transferred to the Washburn Endowment 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, 2007 and 2006 and for the years then ended is as follows:

	<u>2007</u>	<u>2006</u>
Beginning of year, at cost	\$ 23,386,244	\$ 23,113,422
Change in cash value of life insurance policies	5,128	11,101
Transfers	<u>(26,486)</u>	<u>261,721</u>
End of year, at cost	23,364,886	23,386,244
Undistributed endowment income	1,722,942	752,986
Cumulative net unrealized gains on investments	<u>15,175,230</u>	<u>10,974,148</u>
End of year, at fair value	<u>\$ 40,263,058</u>	<u>\$ 35,113,378</u>

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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 requests the funds be transferred to the University. The University had a claim on the net assets of the Association in the amount of \$9,939,709 and \$3,252,428 as of June 30, 2007 and 2006, respectively.

Note 6: Capital Assets

The following is a summary of capital assets for the years ended June 30, 2007 and 2006:

	2007				
	Balance July 1, 2006	Additions	Retirements	Construction in Progress Placed in Service	Balance June 30, 2007
Capital assets, not being depreciated					
Land	\$ 1,560,721	\$ —	\$ (116,271)	\$ —	\$ 1,444,449
Works of art and historical treasures	2,437,984	—	—	—	2,437,984
Construction in progress	<u>3,063,025</u>	<u>11,325,363</u>	<u>—</u>	<u>(4,259,688)</u>	<u>10,128,700</u>
Capital assets, not being depreciated	<u>7,061,730</u>	<u>11,325,363</u>	<u>(116,271)</u>	<u>(4,259,688)</u>	<u>14,011,133</u>
Capital assets, being depreciated					
Buildings, improvements and infrastructure	93,441,525	758,338	(199,237)	4,259,688	98,260,314
Furniture, fixtures and equipment	10,068,807	769,595	(94,535)	—	10,743,867
Computers and electronic equipment	13,198,261	199,598	(1,979,731)	—	11,418,128
Books and collections	17,352,904	525,773	—	—	17,878,677
Broadcasting tower, antenna and equipment	6,338,540	665,288	(7,450)	—	6,996,378
Vehicles	<u>707,575</u>	<u>74,260</u>	<u>(53,297)</u>	<u>—</u>	<u>728,538</u>
Total capital assets, being depreciated	<u>141,107,612</u>	<u>2,992,852</u>	<u>(2,334,250)</u>	<u>4,259,688</u>	<u>146,025,902</u>

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

	2006				
	Balance July 1, 2005	Additions	Retirements	Construction in Progress Placed in Service	Balance June 30, 2006
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(34,120,776)	(2,297,157)	—	—	(36,417,933)
Furniture, fixtures and equipment	(6,470,877)	(738,039)	211,154	—	(6,997,762)
Computers and electronic equipment	(10,306,379)	(816,956)	598,805	—	(10,524,530)
Books and collections	(14,815,902)	(624,692)	7,695	—	(15,432,899)
Broadcasting tower, antenna and equipment	(2,734,363)	(597,420)	—	—	(3,331,783)
Vehicles	(369,309)	(60,385)	7,476	—	(422,218)
Total accumulated depreciation	<u>(68,817,606)</u>	<u>(5,134,649)</u>	<u>825,130</u>	<u>—</u>	<u>(73,127,125)</u>
Total capital assets, being depreciated, net	<u>69,483,305</u>	<u>(3,160,911)</u>	<u>(6,211)</u>	<u>1,664,304</u>	<u>67,980,487</u>
Total capital assets	<u>\$ 74,629,941</u>	<u>\$ 418,487</u>	<u>\$ (6,211)</u>	<u>\$ —</u>	<u>\$ 75,042,217</u>

The University had approximately \$7,977,000 and \$2,223,000, respectively, at June 30, 2007 and 2006 in commitments for building construction and other contracts.

Note 7: Non-Current Liabilities

The following is a summary of changes in long-term debt for the years ended June 30, 2007 and 2006:

	Balance July 1, 2006	Issued	Retired	Balance June 30, 2007	Due Within One Year
Series 1999	\$ 1,455,000	\$ —	\$ 460,000	\$ 995,000	\$ 485,000
Series 2001 A	7,465,000	—	330,000	7,135,000	340,000
Series 2001 B	2,145,000	—	95,000	2,050,000	100,000
Series 2003	6,650,000	—	300,000	6,350,000	305,000
Series 2004	<u>13,865,000</u>	<u>—</u>	<u>125,000</u>	<u>13,740,000</u>	<u>125,000</u>
	<u>\$ 31,580,000</u>	<u>\$ —</u>	<u>\$ 1,310,000</u>	30,270,000	<u>\$ 1,355,000</u>
Add unamortized premium on bonds				275,654	
Less deferred cost of refunding 1999 Series bonds				(1,231,259)	
Less current portion				<u>(1,355,000)</u>	
				<u>\$ 27,959,395</u>	

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

	Balance			Balance	Due Within
	July 1, 2005	Issued	Retired	June 30, 2006	One Year
Series 1999	\$ 1,890,000	\$ —	\$ 435,000	\$ 1,455,000	\$ 460,000
Series 2001 A	7,785,000	—	320,000	7,465,000	330,000
Series 2001 B	2,240,000	—	95,000	2,145,000	95,000
Series 2003	6,940,000	—	290,000	6,650,000	300,000
Series 2004	<u>13,985,000</u>	<u>—</u>	<u>120,000</u>	<u>13,865,000</u>	<u>125,000</u>
	<u>\$ 32,840,000</u>	<u>\$ —</u>	<u>\$ 1,260,000</u>	31,580,000	<u>\$ 1,310,000</u>
Add unamortized premium on bonds				298,697	
Less deferred cost of refunding 1999 Series bonds				(1,328,971)	
Less current portion				<u>(1,310,000)</u>	
				<u>\$ 29,239,726</u>	

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 \$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 years ended June 30, 2007 and 2006 amounted to \$97,712 and \$98,058, respectively.

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 \$752,507 on this refunding.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
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, 2007 and 2006, 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 \$485,000 to \$630,000 which mature between July 1, 2008 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.

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. An amount of \$12,610,000 of the 1999 Series bonds were advance 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 \$340,000 to \$650,000, maturing between July 1, 2008 and July 1, 2020 and bear interest at rates ranging from 3.90% to 5.15% payable semi-annually. In addition, term bonds bearing interest at 5.50% in the amounts 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 \$100,000 to \$190,000, maturing between July 1, 2008 and July 1, 2022 and bear interest at rates ranging from 3.90% 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.

Washburn University of Topeka

Notes to Financial Statements

June 30, 2007 and 2006

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 \$305,000 to \$440,000 and mature between July 1, 2008 and July 1, 2019. The 2003 Series bonds bear interest at rates ranging from 2.75% 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.

Building Refunding Revenue Bonds – Series 2004

The 2004 Series bonds consist of serial bonds due in annual principal payments ranging from \$125,000 to \$955,000 and mature between July 1, 2008 and July 1, 2019. The 2004 Series bonds bear interest at rates ranging from 2.35% 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

The annual requirements to amortize all debt outstanding at June 30, 2007, including interest payments, are as follows:

Year Ending June 30,	Building Revenue Bonds		Total
	Principal	Interest	
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	1,515,000	1,154,628	2,669,628
2012	1,570,000	1,102,742	2,672,742
2013-2017	8,855,000	4,551,795	13,406,795
2018-2022	9,355,000	2,421,010	11,776,010
2023-2027	3,385,000	761,220	4,146,220
2028-2032	<u>1,350,000</u>	<u>102,000</u>	<u>1,452,000</u>
	<u>\$ 30,270,000</u>	<u>\$ 13,879,885</u>	<u>\$ 44,149,885</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, 2007 and 2006 was approximately \$3,423,000 and \$3,228,000, respectively.

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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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 2007 and 2006, 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, 2007 and 2006 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, 2007 and 2006 are as follows:

	2007	2006
Claims payable, beginning of year	\$ 300,000	\$ 365,725
Incurred claims	5,075,331	4,064,005
Claim payments	<u>(5,153,079)</u>	<u>(4,129,730)</u>
Claims payable, end of year	<u>\$ 222,252</u>	<u>\$ 300,000</u>

Claims payable is included in accounts payable and accrued liabilities on the statements 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 the final outcome of such matters will not have a material adverse effect on the University's financial position.

Note 11: 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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 (excluding private placement equity 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. Private placement equity investments are presented at cost. The Association has a policy for 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.

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 Receivable — 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

Contributions

All contributions and bequests are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts 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.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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.

Cash and Equivalents

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

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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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.

Pledges Receivable

Pledges receivable include the following unconditional promises to give at June 30, 2007 and 2006:

	2007	2006
Unrestricted	\$ 67,120	\$ —
Temporarily restricted	9,796,155	9,859,116
Permanently restricted	1,965,636	1,968,853
Agency	<u>200,958</u>	<u>237,491</u>
	<u>\$ 12,029,869</u>	<u>\$ 12,065,460</u>

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

Receivable in less than one year	\$ 1,680,751	\$ 1,644,950
Receivable in one to five years	4,308,912	4,316,456
Thereafter	<u>6,040,206</u>	<u>6,104,054</u>
	12,029,869	12,065,460
Less allowance for uncollectible pledges	184,028	185,808
Less unamortized discount at 5%	<u>4,838,419</u>	<u>4,965,331</u>
	<u>\$ 7,007,422</u>	<u>\$ 6,914,321</u>

The Association has been notified of additional intentions 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, 2007 and 2006

Investments

Investments consisted of the following at June 30, 2007 and 2006:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Short-term money market funds	\$ 607,364	\$ 607,364	\$ 558,101	\$ 558,101
U.S. government agencies	4,477,614	4,468,310	4,705,795	4,638,804
Common stock	13,176,186	15,618,365	17,965,899	20,416,534
Mid cap equity growth	4,600,000	4,951,106	6,199,414	7,513,203
Large cap equity index fund	36,216,284	48,496,203	25,764,017	31,707,425
Small cap equity fund	3,256,858	4,229,504	6,178,708	7,239,193
Small cap value	468,928	509,257	690,527	892,921
Foreign equities	21,184,955	33,892,904	17,018,820	21,969,107
Corporate and foreign bonds	—	—	115,017	112,461
Fixed income securities	13,583,792	13,663,467	12,265,383	11,736,618
Hedge funds	8,500,000	10,735,175	6,000,000	6,921,670
Asset-backed securities	300,794	296,637	208,714	206,416
Private equity investments	3,233,013	3,233,013	2,536,578	2,536,578
Private real estate investments	3,351,554	3,351,554	1,603,013	1,603,013
Realty funds	2,057,082	2,122,347	—	—
Life insurance policies	417,849	417,849	392,511	392,511
Other	194,480	197,574	154,750	156,757
Total	<u>\$ 115,626,753</u>	<u>\$ 146,790,629</u>	<u>\$ 102,357,247</u>	<u>\$ 118,601,312</u>

As of June 30, 2007 and 2006, the Association held and managed \$40,263,058 and \$36,012,456, respectively, of investments on behalf of the University and \$10,538,708 and \$7,224,362, respectively, on behalf of the Law School Foundation.

The Association has committed \$15,000,000 to several of the private placement investment funds included above. Unfunded commitments were \$7,121,186 at June 30, 2007.

Amounts included in the investment income for the years ended June 30, 2007 and 2006 were:

	2007	2006
Dividends and interest	\$ 1,899,101	\$ 1,855,082
Net realized gains	4,101,667	1,419,361
Change in net unrealized gains	9,275,661	5,643,352
Investment expense	<u>(384,913)</u>	<u>(351,939)</u>
	<u>\$ 14,891,516</u>	<u>\$ 8,565,856</u>

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

Beneficial Interests in Trusts

Beneficial interests in trusts include the following at June 30, 2007 and 2006:

	2007	2006
Beneficial interest in perpetual trusts	\$ 5,494,283	\$ 5,005,994
Beneficial interest in trust agreement	—	2,111,072
Beneficial interest in charitable remainder trusts	1,648,695	1,571,002
	\$ 7,142,978	\$ 8,688,068

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 Association's interest in the trust was recorded at the present value of the estimated future cash flows. In July 2006, the Association received a final distribution related to this fund in the amount of \$2,111,072.

A discount rate of 5.6% 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.

Washburn University of Topeka

Notes to Financial Statements

June 30, 2007 and 2006

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, 2007 and 2006 for individual donor-restricted endowment funds was \$73,506 and \$748,470, respectively.

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 \$158,175 and \$129,713 for the years ended June 30, 2007 and 2006, respectively.

Related Party

In October 2006, the Association approved a revised management agreement between the Association and the University. Under the terms of the agreement, the Association is required to make computed earnings available to the University, as determined according to the approved Association Investment Policy, from the endowed funds at least annually on or before the first day of March or other date(s) mutually agreed upon by the two parties. Distributions from restricted expendable or endowment funds must be expended by the University in accordance with the terms of the gift agreement creating the endowment. Appropriate documentation and authorization supporting the restricted spending are required for disbursement and/or transfer of restricted funds.

Under terms of the previous management agreement, the Association was contractually obligated to pay the University an annual allocation of earnings distribution at an amount to 5%, or such other percentage as the parties agreed, of the market value of pooled endowed funds averaged over the period of 21 quarters. Accordingly, at June 30, 2006, the Association recorded an amount due to the University for undistributed earnings of \$3,613,312.

As a result of the above change in the terms of the management agreement related to the distribution of computed earnings, the Association did not record a liability to the University for undistributed earnings at June 30, 2007 and, accordingly, reported a transfer to net assets in the amount of \$3,361,861 during fiscal year 2007.

The Association owes the University \$303,619 and \$570,339 for amounts related to current gifts and reimbursement of operating expenses.

During 2007 and 2006, the Association provided direct support in the amount of \$4,298,671 and \$7,215,581 and made distributions from agency accounts in the amounts of \$768,514 and \$2,322,632, respectively.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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:

	<u>2007</u>	<u>2006</u>
Fair market value of agency accounts at beginning of year	\$ 43,453,152	\$ 39,827,678
Contributions	374,053	460,500
Non-gift income	2,688,476	963,777
Net investment income	8,917,712	5,610,330
Distributions	(768,514)	(2,322,632)
Expense allocation for administration	<u>(1,088,267)</u>	<u>(1,086,501)</u>
Fair market value of agency accounts at end of year	<u>\$ 53,576,612</u>	<u>\$ 43,453,152</u>

Financial Instruments

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of bank deposits, which at times may exceed federally insured limits, and contributions receivable. The Association's intent is to maintain its deposits with sound financial institutions. Concentrations of credit risk with respect to contributions receivable are limited due to the large number of contributors comprising the Association's contributor base and their dispersion across different geographic areas.

Note 12: 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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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.

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.

Washburn University of Topeka
Notes to Financial Statements
June 30, 2007 and 2006

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, 2007 and 2006 were:

	2007	2006
Interest and dividends	\$ 190,399	\$ 151,589
Net realized gains	455,973	151,147
Net unrealized gains	<u>1,044,138</u>	<u>639,682</u>
	<u>\$ 1,690,510</u>	<u>\$ 942,418</u>

General and administrative expense includes \$239,551 and \$205,381 paid to the Association for expenses related to the administration of the funds for the years ended June 30, 2007 and 2006, respectively.

Real Estate

During 2007, the Foundation sold certain parcels of land in Butler and Johnson counties. The Johnson county real estate had been under contract for sale and was adjusted to the sales price of \$2,600,000 less a deposit of \$260,000 paid to the Foundation during 2005. Under the terms of the contract and subsequent amendments, the buyer made payments of \$18,000 each month that the contract was extended through September 2006, and then made payments of \$27,500 each month through January 2007. In addition, the August 2006 amendment required an additional deposit of \$100,000 that was applied to the sales price. The sale was completed in March 2007 and the remaining cash sale price of \$2,236,028 was paid to the Foundation at that time.

The Butler County real estate was sold to a third party in August 2006. The fair value of the real estate as of June 30, 2006 was adjusted to the final sales price.

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.

Supplementary Information

Washburn University of Topeka
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Student Financial Aid Cluster			
Federal Family Education Loan Program	U.S. Department of Education	84.032	\$ 36,283,761
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education	84.007	383,126
Federal Work-Study Program	U.S. Department of Education	84.033	370,132
Federal Perkins Loan Program	U.S. Department of Education	84.038	1,345,173
Federal Pell Grant Program	U.S. Department of Education	84.063	5,234,318
Academic Competitiveness Grants	U.S. Department of Education	84.375	110,361
National Science & Mathematics Access to Retain Talent (SMART) Grants	U.S. Department of Education	84.376	<u>48,883</u>
Total Student Financial Aid Cluster			<u>43,775,754</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	2,518
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services/ University of Kansas Medical Center	93.389	42,015
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services/ University of Kansas Medical Center	93.389	51,964
Nicodemus Archaeological Dig	National Park Service	15.912	<u>15,685</u>
Total Research and Development Cluster			<u>112,182</u>
Other			
Perkins III Program Improvement	U.S. Department of Education / Kansas Board of Regents	84.048	106,100
Early Reading First	U.S. Department of Education / Topeka Public Schools USD 501	84.359B	22,353
Math and Science Partnership	U.S. Department of Education / Kansas Department of Education	84.366	62,209
SIG Grant – Special Education Consortium	U.S. Department of Education / Kansas Department of Education	84.323	22,071
Public Telecommunications Facilities Program – KTWU Digital Equipment Grant Phase 6	U.S. Department of Commerce / Corporation for Public Broadcasting	11.550	50,454
Public Telecommunications Facilities Program – KTWU Digital Equipment Grant Round 8	U.S. Department of Commerce / Corporation for Public Broadcasting	11.550	251,425
Ready to Learn	U.S. Department of Education / Corporation for Public Broadcasting	84.295	26,954
Ready to Learn	U.S. Department of Education / Kansas Department of Social and Rehabilitation Services	84.295	45,000

Washburn University of Topeka
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Kan Be Healthy	U.S. Department of Health and Human Services / Kansas Division of Health Policy and Finance	93.778	\$ 57,116
Sexual Violence Surveillance	Centers for Disease Control / Kansas Department of Health and Environment	93.136	4,884
Jumpstart	Corporation for National and Community Service / Americorps / Jumpstart for Young Children, Inc.	94.006	10,883
Small Business Development Center – 2006	Small Business Administration / Fort Hays State University	59.037	34,314
Small Business Development Center – 2007	Small Business Administration / Fort Hays State University	59.037	30,093
CBR Networking Initiative	Corporation for National Service / Princeton University	94.005	5,118
KTWU Moran Translator Conversion	USDA Rural Conversion	10.861	99,562
Kansas Education Resource Center	U.S. Department of Education / Kansas Board of Regents	84.048	514,022
Interlibrary Loan Development	Office of Library Services / Kansas State Library	45.310	1,404
ILDLP – Curriculum Resource Center	Office of Library Services / Kansas State Library	45.310	<u>1,125</u>
Total Other			<u>1,345,087</u>
Total			<u>\$ 45,233,023</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, 2007, which collectively comprise its basic financial statements and have issued our report thereon dated November 12, 2007, which contained a reference to the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the University's management in a separate letter dated November 12, 2007.

This report is intended solely for the information and use of the Board of Regents, management and others within the University 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
November 12, 2007



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, 2007. 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, 2007.

Internal Control Over Compliance

The management of Washburn University of Topeka is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Regents, management, 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
November 12, 2007

Washburn University of Topeka
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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:
Significant deficiency(ies) noted considered material weakness(es)? Yes No

Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
Significant deficiency(ies) noted considered material weakness(es)? Yes No

Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent 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

Washburn University of Topeka
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

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
Academic Competitiveness Grants	84.375
National Science & Mathematics Access to Retain Talent (SMART) Grants	84.376

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,356,991.
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, 2007

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Washburn University of Topeka
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Reference Number	Summary of Finding	Status
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No matters are reportable.

**Supplementary Information Required
for Revenue Bonds**

Washburn University of Topeka
Schedule 1 — Revenues, Expenditures and Comparison with Budget
General Fund
Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 35,959,553	\$ 34,681,364	\$ (1,278,189)
Income from endowment fund	1,308,269	881,442	(426,827)
Sales tax and other taxes	18,150,719	17,999,045	(151,674)
State aid	11,667,516	11,756,840	89,324
Other income	3,661,601	3,245,999	(415,602)
Use of reserves	1,800,000	—	(1,800,000)
Transfer from smoothing fund	492,702	313,447	(179,255)
Auxiliary enterprises	<u>8,815,961</u>	<u>6,270,088</u>	<u>(2,545,873)</u>
Total revenues	<u>81,856,321</u>	<u>75,148,225</u>	<u>\$ (6,708,096)</u>
Expenditures			
Instruction	34,476,317	31,999,121	\$ 2,477,196
Public service, academic support and research	11,833,001	12,256,096	(423,095)
Student services	7,280,478	6,485,750	794,728
Institutional support	7,830,220	6,575,388	1,254,832
Maintenance of plant	6,599,512	6,262,566	336,946
Scholarships and fellowships	1,561,408	2,147,893	(586,485)
Other expenses and transfers	2,966,722	3,139,538	(172,816)
Contingency	3,000,000	—	3,000,000
Auxiliary enterprises	<u>8,242,578</u>	<u>4,768,237</u>	<u>3,474,341</u>
Total expenditures	<u>83,790,236</u>	<u>73,634,589</u>	<u>\$ 10,155,647</u>
Increase (Decrease) in Fund Balance	<u>\$ (1,933,915)</u>	1,513,636	
Fund Balance, Beginning of Year		<u>8,002,700</u>	
Fund Balance, End of Year		<u>\$ 9,516,336</u>	

Washburn University of Topeka
Schedule 2 — Revenues, Expenditures and Comparison with Budget
Debt Retirement and Construction Fund
Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,682,897	\$ 3,330,823	\$ (352,074)
Fees for parking improvements	25,038	25,038	—
Investment income	400,000	844,425	444,425
Transfer from other funds—LLC debt service	<u>2,131,250</u>	<u>2,131,250</u>	<u>—</u>
Total revenues	<u>6,239,185</u>	<u>6,331,536</u>	<u>\$ 92,351</u>
Expenditures			
Bond principal	1,310,000	1,310,000	\$ —
Interest and commissions on bonds	1,372,225	1,372,225	—
Transfers for construction, repairs or equipping of new or existing buildings	2,925,038	2,442,398	482,640
Other	<u>600,000</u>	<u>6</u>	<u>599,994</u>
Total expenditures	<u>6,207,263</u>	<u>5,124,629</u>	<u>\$ 1,082,634</u>
Increase in Fund Balance	<u>\$ 31,922</u>	1,206,907	
Fund Balance, Beginning of Year		<u>474,332</u>	
Fund Balance, End of Year		<u>\$ 1,681,239</u>	

Washburn University of Topeka
Schedule 3 — Revenues, Expenditures and Comparison with Budget
Employee Benefits Contribution Fund
Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 10,000	\$ —	\$ <u>(10,000)</u>
Expenditures			
Payment to the general fund	<u>10,000</u>	<u>—</u>	<u>\$ 10,000</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, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 358,219	\$ 331,325	\$ (26,894)
Investment income	<u>20,000</u>	<u>47,840</u>	<u>27,840</u>
Total revenues	<u>378,219</u>	<u>379,165</u>	<u>\$ 946</u>
Expenditures			
Insurance premium	313,136	257,700	\$ 55,436
Litigation expense	600,000	13,518	586,482
Miscellaneous expense	124,844	86,128	38,716
Contingency	<u>350,000</u>	<u>—</u>	<u>350,000</u>
Total expenditures	<u>1,387,980</u>	<u>357,346</u>	<u>\$ 1,030,634</u>
Increase (Decrease) in Fund Balance	<u>\$ (1,009,761)</u>	21,819	
Fund Balance, Beginning of Year		<u>1,142,131</u>	
Fund Balance, End of Year		<u>\$ 1,163,950</u>	

Washburn University of Topeka
Schedule 5 — Revenues, Expenditures and Comparison with Budget
Sales Tax Smoothing Fund
Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ <u>750,000</u>	\$ <u>—</u>	\$ <u>(750,000)</u>
Expenditures			
Transfer to building construction fund	1,500,000	650,000	\$ 850,000
Transfer to general fund	482,702	313,447	169,255
Contingency	<u>92,204</u>	<u>—</u>	<u>92,204</u>
Total expenditures	<u>2,074,906</u>	<u>963,447</u>	<u>\$ 1,111,459</u>
Decrease in Fund Balance	<u>\$ (1,324,906)</u>	(963,447)	
Fund Balance, Beginning of Year		<u>2,578,738</u>	
Fund Balance, End of Year		<u>\$ 1,615,291</u>	

Washburn University of Topeka
Schedule 6 — Revenues, Expenditures and Comparison with Budget
Capital Improvement Fund
Year Ended June 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ —
Interest income	5,000	1,352	(3,648)
Transfer from general fund	<u>—</u>	<u>250,000</u>	<u>250,000</u>
Total revenues	<u>895,000</u>	<u>1,141,352</u>	<u>\$ 246,352</u>
Expenditures			
Capital expenses	108,575	33,437	\$ 75,138
Non-mandatory transfers	<u>890,000</u>	<u>890,000</u>	<u>—</u>
Total expenditures	<u>998,575</u>	<u>923,437</u>	<u>\$ 75,138</u>
Increase (Decrease) in Fund Balance	<u>\$ (103,575)</u>	217,915	
Fund Balance, Beginning of Year		<u>205,827</u>	
Fund Balance, End of Year		<u>\$ 423,742</u>	

Washburn University of Topeka
Schedule 7 — Cash Receipts and Expenditures – 2001 A & B Bond Issue
Year Ended June 30, 2007

	Year Ended June 30, 2007	Project Inception to June 30, 2007
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	459,775	2,418,898
Transfer from smoothing fund	—	2,500,000
Transfer from other capital projects	—	630,000
Private contributions	<u>16,000</u>	<u>2,985,973</u>
Total revenues and other additions	<u>475,775</u>	<u>20,698,331</u>
Expenditures and Other Deductions		
Bond issuance costs	—	245,700
Bond insurance	—	79,167
Projects		
Art building	—	3,484,573
LLC Phase II	—	3,134,405
Moore Bowl	19,810	4,837,801
Student fitness center	1,000	5,443,460
Interest expense paid	<u>459,775</u>	<u>2,721,102</u>
Total expenditures and other deductions	<u>480,585</u>	<u>19,946,208</u>
Cash Receipts Over (Under) Expenditures	(4,810)	\$ <u><u>752,123</u></u>
Cash and Investments, Beginning of Year	<u>756,933</u>	
Cash and Investments, End of Year	\$ <u><u>752,123</u></u>	

Washburn University of Topeka
Schedule 8 — Cash Receipts and Expenditures – 2003 Bond Issue
Year Ended June 30, 2007 and Since Project Inception

	Year Ended June 30, 2007	Project Inception to June 30, 2007
Revenues and Other Additions		
Bond proceeds	\$ —	\$ 7,500,000
Transfer for debt service	241,250	1,029,120
Accrued bond interest at issuance date	<u>—</u>	<u>7,829</u>
Total revenues and other additions	<u>241,250</u>	<u>8,536,949</u>
Expenditures and Other Deductions		
Bond issuance costs	—	174,317
Bond insurance	—	81,942
Original issue discount on bonds	—	7,440
Projects		
Washburn Village housing project	—	7,114,113
Interest expense paid	<u>241,250</u>	<u>1,016,692</u>
Total expenditures and other deductions	<u>241,250</u>	<u>8,394,504</u>
Excess of Cash Receipts Over Expenditures	—	<u>\$ 142,445</u>
Cash and Investments, Beginning of Year	<u>142,445</u>	
Cash and Investments, End of Year	<u>\$ 142,445</u>	

Washburn University of Topeka
Schedule 9 — Cash Receipts and Expenditures – 2004 Bond Issue
Year Ended June 30, 2007 and Since Project Inception

	Year Ended June 30, 2007	Project Inception to June 30, 2007
	<hr/>	<hr/>
Revenues and Other Additions		
Bond proceeds	\$ —	\$ 14,250,000
Transfers for debt service	592,108	1,636,714
Original issue premium on bonds	<u>—</u>	<u>294,915</u>
Total revenues and other additions	<u>592,108</u>	<u>16,181,629</u>
Expenditures and Other Deductions		
Bond issuance costs	—	277,233
Bond insurance	—	154,096
Amount transferred to escrow account	—	14,111,355
Interest expense paid	<u>592,108</u>	<u>1,636,714</u>
Total expenditures and other deductions	<u>592,108</u>	<u>16,179,398</u>
Excess of Cash Receipts Over Expenditures	—	<u>\$ 2,231</u>
Cash and Investments, Beginning of Year	<u>2,231</u>	
Cash and Investments, End of Year	<u>\$ 2,231</u>	

Washburn University of Topeka
Schedule 10 — Operations of the Living Learning Center
Year Ended June 30, 2007

Revenues	
Room rental	\$ 1,214,356
Less vacancy loss	<u>(221,751)</u>
Net income from room rental	992,605
Receipts from coin machines, forfeited initial pay, guests, etc.	59,912
Reimbursement – employee benefits	<u>8,564</u>
Total revenues	<u>1,061,081</u>
Expenses	
Salaries, director and resident assistants	89,989
Salaries, custodial	98,448
Benefits	8,564
Insurance	20,540
Utilities, telephone and cable	246,377
Repairs and operating supplies	34,061
Laundry	1,010
Contracted services	<u>14,258</u>
Total expenses	<u>513,247</u>
Net Operating Income	547,834
Debt Service	
Transfer to Capital Improvement Fund	<u>(500,000)</u>
Excess of Cash Receipts Over Expenditures	<u>\$ 47,834</u>