
WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2010

Index

	Page
Independent Accountants' Report	1 - 2
Management's Discussion And Analysis	3 - 23
 Financial Statements	
Statements Of Net Assets	24 - 25
Statements Of Financial Position – Washburn University Foundation	26
Statements Of Financial Position – Washburn Law School Foundation	27
Statements Of Revenues, Expenses And Changes In Net Assets	28 - 29
Statement Of Activities – 2010 – Washburn University Foundation	30
Statement Of Activities – 2010 – Washburn Law School Foundation	31
Statement Of Activities – 2009 – Washburn University Foundation	32
Statement Of Activities – 2009 – Washburn Law School Foundation	33
Statements Of Cash Flows	34 - 35
Notes To Financial Statements	36 - 75
 Supplementary Information	
Schedule Of Expenditures Of Federal Awards	76 - 78
Notes To Schedule Of Expenditures Of Federal Awards	79
 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 <i>Government Auditing Standards</i>....	
	80 - 81

Index (Continued)

Page

**Independent Accountants' Report On Compliance And
Internal Control Over Compliance With Requirements
Applicable To Major Federal Awards Programs 82 - 83**

Schedule Of Findings And Questioned Costs 84 - 85
Summary Schedule Of Prior Audit Findings.....86

Supplementary Information Required For Revenue Bonds

**Independent Accountants' Report On Supplementary
Information87**

Schedule 1 – Revenues, Expenditures And Comparison
With Budget – General Fund.....88
Schedule 2 – Revenues, Expenditures And Comparison
With Budget – Debt Retirement And Construction Fund.....89
Schedule 3 – Revenues, Expenditures And Comparison With
Budget – Employee Benefits Contribution Fund.....90
Schedule 4 – Revenues, Expenditures And Comparison With
Budget – Tort Claim Liability Fund.....91
Schedule 5 – Revenues, Expenditures And Comparison With
Budget – Sales Tax Smoothing Fund92
Schedule 6 – Revenues, Expenditures And Comparison With
Budget – Capital Improvement Fund93
Schedule 7 – Revenues, Expenditures And Comparison With
Budget – Washburn Institute Of Technology94
Schedule 8 – Cash Receipts And Expenditures –
2001 A & B Bond Issue95
Schedule 9 – Cash Receipts And Expenditures –
2003 Bond Issue96
Schedule 10 – Cash Receipts And Expenditures –
2004 Bond Issue97
Schedule 11 – Cash Receipts And Expenditures –
2010 Bond Issue98
Schedule 12 – Operations Of The Living Learning Center.....99
Schedule 13 – Blending Statement Of Net Assets 100 - 101
Schedule 14 – Blending Statement Of Revenues,
Expenses And Changes In Net Assets..... 102 - 103
Schedule 15 – Blending Statement Of Cash Flows104



RubinBrown LLP
Certified Public Accountants
& Business Consultants

10975 Grandview Drive
Suite 600
Overland Park, KS 66210

T 913.491.4144
F 913.491.6821

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

We have audited the accompanying financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Washburn University Foundation (total assets of \$132,257,088 and \$118,838,772 as of June 30, 2010 and 2009, respectively, and total revenue of \$21,957,943 and \$(9,566,874), respectively, for the years then ended) or the Washburn Law School Foundation (total assets of \$7,722,096 and \$7,278,525 as of June 30, 2010 and 2009, respectively, and total revenue of \$1,192,794 and \$(1,793,042), respectively, for the years then ended). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Washburn University Foundation and the Washburn Law School Foundation, is based solely on the reports of other auditors. The financial statements of the University as of June 30, 2009 were audited by other auditors whose report dated January 11, 2010 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Washburn University Foundation 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 auditors, 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, 2010 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our 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 on pages 87 through 104, 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 auditors in the audit of the basic financial statements and, in our opinion, based on our audits and the reports of the other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

RubinBrown LLP

Overland Park, Kansas
December 23, 2010

WASHBURN UNIVERSITY OF TOPEKA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010 and comparative data for the fiscal years ended June 30, 2009 and 2008. 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. 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.

As of July 1, 2008, the University and Washburn Institute of Technology ("Washburn Tech", formerly known as Kaw Area Technical School) were formally affiliated in compliance with Kansas statutory requirements. Governance functions previously performed by the Board of Education of the Topeka Public Schools passed to the University's Board of Regents at that time. Washburn Tech is included in the University's financial statements as a blended component unit 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.

Throughout Management's Discussion and Analysis, references to "the University" refer to the blended reporting entity unless the reference specifically or contextually relates only to Washburn University.

The Washburn University Foundation and the Washburn Law School Foundation are reported as discretely-presented component units of the University in compliance with GASB Statements No. 14 and No. 39.

Using This Annual Report

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Financial Highlights for Fiscal Year Ended June 30, 2010

Beginning in the fiscal year ended June 30, 2009, the University's financial statements include Washburn Tech as a blended component unit. The discussion below addresses the financial highlights for the University, based on the information presented in the other supplementary schedules referred to in the preceding paragraph. Financial highlights for Washburn Tech are also presented below, based on the same supplementary schedules.

Washburn University

The University's financial position remained strong at June 30, 2010, with total assets of \$169.9 million and liabilities of \$38.2 million, compared to total assets of \$167.5 million and liabilities of \$41.2 million at June 30, 2009. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$131.7 million at June 30, 2010. This is a 4.2 percent increase from last fiscal year's net assets of \$126.4 million. Rebounding endowment market values were the primary cause of the increase in net assets.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$35.5 million and operating expenses were \$85.9 million, resulting in a loss from operations of \$50.4 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, local appropriations (sales tax) and the change in endowment market values, net of nonoperating expenses, were \$54.2 million, which, when combined with other revenue sources and loss from operations, resulted in an overall increase in net assets of \$5.3 million compared to a decrease of \$11.5 million for the year ended June 30, 2009.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2010, with total assets of \$5.7 million and liabilities of approximately \$536,000, compared to total assets of \$4.9 million and liabilities of \$800,000 at June 30, 2009. Net assets were \$5.2 million, a 25.4% increase from net assets of \$4.1 million at June 30, 2009.

Washburn Tech's operating revenues were \$4.0 million and operating expenses were \$6.8 million, resulting in a loss from operations of \$2.8 million. Net nonoperating revenues, made up predominantly of state appropriations, were \$3.4 million, which, when combined with other revenue sources and the loss from operations, resulted in an increase in net assets of \$1.1 million from \$4.1 million at June 30, 2009.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Financial Highlights for Fiscal Year Ended June 30, 2009

Washburn University

The University's financial position remained strong at June 30, 2009, with total assets of \$167.5 million and liabilities of \$41.2 million compared to total assets of \$172.0 million and liabilities of \$34.1 million at June 30, 2008. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$126.4 million at June 30, 2009. This is an 8.4 percent decrease from last fiscal year's net assets of \$137.9 million. Declining endowment market values were the primary cause of the decline in net assets.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Operating revenues were \$38.7 million and operating expenses were \$86.7 million, resulting in a loss from operations of \$48.0 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, local appropriations (sales tax) and the change in endowment market values, net of nonoperating expenses, were \$35.0 million, which, when combined with other revenue sources and loss from operations, resulted in an overall decrease in net assets of \$11.5 million compared to a decrease of \$3.2 million for the year ended June 30, 2008.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2009, with total assets of \$4.9 million and liabilities of approximately \$800,000. Net assets were \$4.1 million. Washburn Tech's first year of operations as an affiliate of the University resulted in operating revenues of \$3.6 million and operating expenses of \$6.9 million, resulting in a loss from operations of \$3.4 million. Net nonoperating revenues, made up predominantly of state appropriations, were \$3.3 million, which, when combined with other revenue sources and the loss from operations, resulted in an increase in net assets of \$4.1 million.

The Statement of Net Assets

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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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, net of the indebtedness relating to capital assets. The next category is restricted net assets, which is further divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources (endowment funds) is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes specified by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available for use by the University for any legal purpose.

Condensed Statements Of Net Assets As of June 30, 2010, 2009 And 2008

	2010	2009	2008
Assets			
Current assets	\$ 40,853,369	\$ 38,279,352	\$ 33,375,866
Capital assets, net	91,325,065	93,141,281	87,223,388
Other assets	43,434,512	41,036,209	51,351,284
	<u>175,612,946</u>	<u>172,456,842</u>	<u>171,950,538</u>
Liabilities			
Current liabilities	12,082,192	13,525,183	7,349,711
Noncurrent liabilities	26,653,778	28,438,391	26,713,172
	<u>38,735,970</u>	<u>41,963,574</u>	<u>34,062,883</u>
Total net assets	<u>\$ 136,876,976</u>	<u>\$ 130,493,268</u>	<u>\$ 137,887,655</u>
Net Assets Consists Of			
Invested in capital assets, net of debt	\$ 64,144,211	\$ 58,578,295	\$ 58,930,271
Restricted - nonexpendable	26,109,866	24,801,334	34,416,601
Restricted - expendable	27,446,318	28,422,261	30,040,369
Unrestricted	19,176,581	18,691,378	14,500,414
Total net assets	<u>\$ 136,876,976</u>	<u>\$ 130,493,268</u>	<u>\$ 137,887,655</u>

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

WASHBURN UNIVERSITY OF TOPEKA

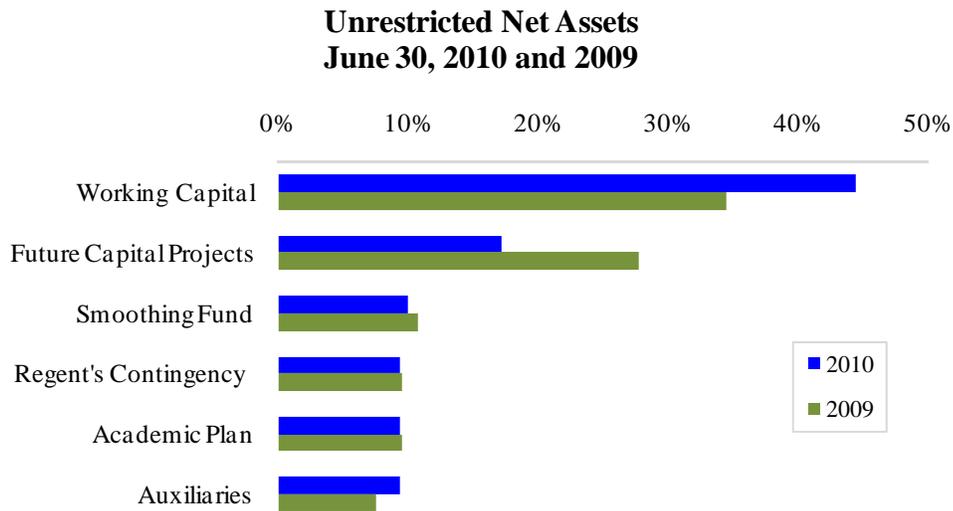
Management's Discussion And Analysis (*Continued*)

Fiscal Year 2010 Compared to Fiscal Year 2009

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$40.9 million at June 30, 2010. Total current assets at June 30, 2010 cover current liabilities 3.4 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 46.9 percent of total net assets at June 30, 2010, 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 graph shows the allocations at June 30, 2010 and 2009:



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

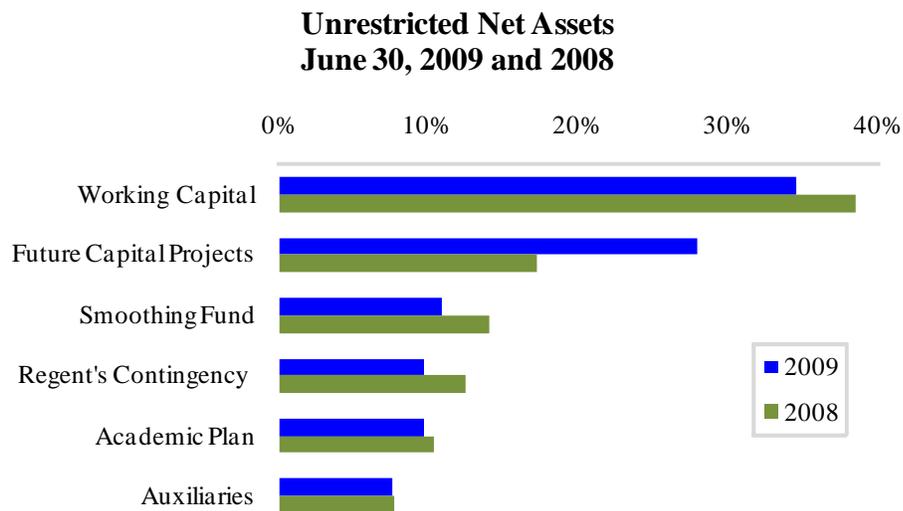
The increase in unrestricted net assets available for working capital purposes is the result of the turnaround in investment income attributable to the increase in market values. Transfers from unrestricted net assets to capital projects during fiscal 2010 caused the drop in the "Future Capital Projects" category.

Fiscal Year 2009 Compared to Fiscal Year 2008

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$38.3 million at June 30, 2009. Total current assets at June 30, 2009 cover current liabilities 2.83 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 45.0 percent of total net assets at June 30, 2009, 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 graph shows the allocations at June 30, 2009 and 2008:



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

The large increase in the proportion of unrestricted net assets designated for future capital projects results from the inclusion of \$2.7 million of Washburn Tech's unrestricted net assets in that category. This designation has carried over from previous years, before its affiliation with the University, when a portion of the payments to Washburn Tech from consortium members was understood to be for a capital "reserve."

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 and the expenses incurred by the University, both operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the University. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

One of the University's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the years ended June 30, 2010, 2009 and 2008.

Condensed Statement Of Revenues, Expenses And Changes In Net Assets For The Years Ended June 30, 2010, 2009 And 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 39,530,264	\$ 41,506,283	\$ 36,433,227
Operating expenses	92,692,165	92,835,687	83,017,420
	(53,161,901)	(51,329,404)	(46,584,193)
Nonoperating revenues and expenses	57,602,801	38,276,830	40,989,891
Income (loss) before other revenues	4,440,900	(13,052,574)	(5,594,302)
Other revenues	1,942,808	1,424,236	2,375,991
Net assets received from Topeka Public Schools, July 1, 2008	—	4,233,951	—
Increase (decrease) in net assets	6,383,708	(7,394,387)	(3,218,311)
Net assets at beginning of year	130,493,268	137,887,655	141,105,966
Net assets at end of year	\$ 136,876,976	\$ 130,493,268	\$ 137,887,655

Fiscal Year 2010 Compared to Fiscal Year 2009

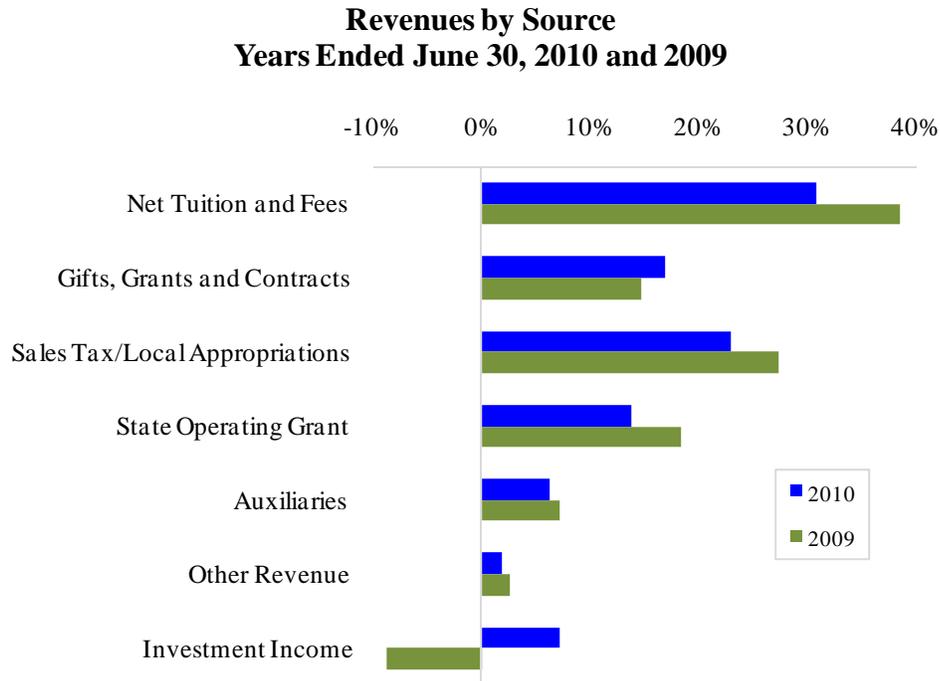
The Statement of Revenues, Expenses and Changes in Net Assets reflect an increase in net assets of \$6.4 million during the year ended June 30, 2010 compared to a decrease of \$7.4 million during fiscal year 2009. Some highlights of the information provided in these statements follow.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (Continued)

Revenues

The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund the University's operating activities for the years ended June 30, 2010 and 2009.



Sales tax/local appropriations and the state operating grant comprise 36.7 percent of the University's revenue for the year ended June 30, 2010 compared to 45.7 percent for the year ended June 30, 2009. The next largest revenue source was net tuition and fees, comprising 30.8 percent of revenue for the year ended June 30, 2010 compared to 38.5 percent for the year ended June 30, 2009. Excluding investment income, governmental appropriations and taxes account for 39.6 percent of revenue in fiscal year 2010, compared to 42.1 percent in fiscal year 2009.

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

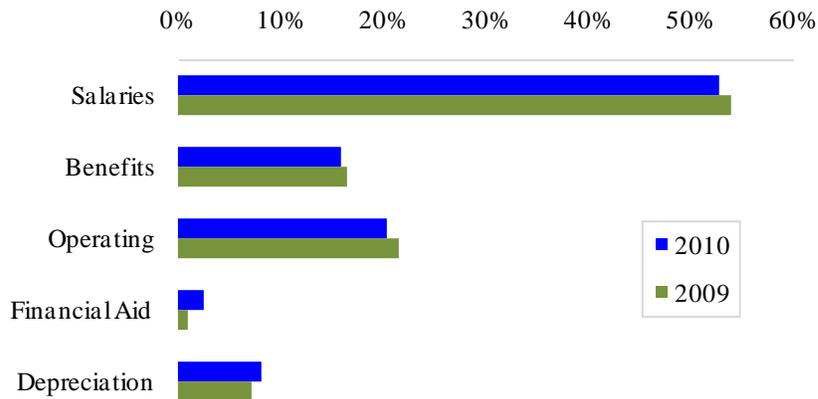
WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Expenses

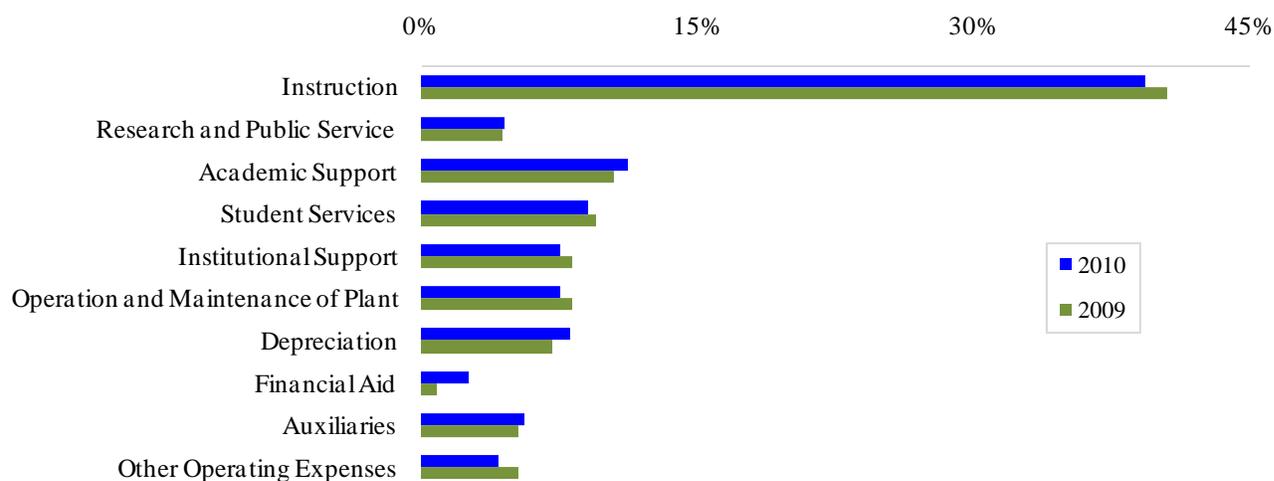
Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2010 and 2009.

Operating Expenses by Natural Classification Years Ended June 30, 2010 and 2009



Salaries and benefits comprise 68.9 percent of expenses by natural classification for the year ended June 30, 2010 compared to 70.5 percent for the year ended June 30, 2009. Operating expenses represent 20.4 percent of total expenses for the year ended June 30, 2010 compared to 21.5 percent for the year ended June 30, 2009. Financial aid and depreciation represent the remaining 10.7 percent of expenses for the year ended June 30, 2010 compared to 8.0 percent for the year ended June 30, 2009.

**Operating Expenses by Function
Years Ended June 30, 2010 and 2009**



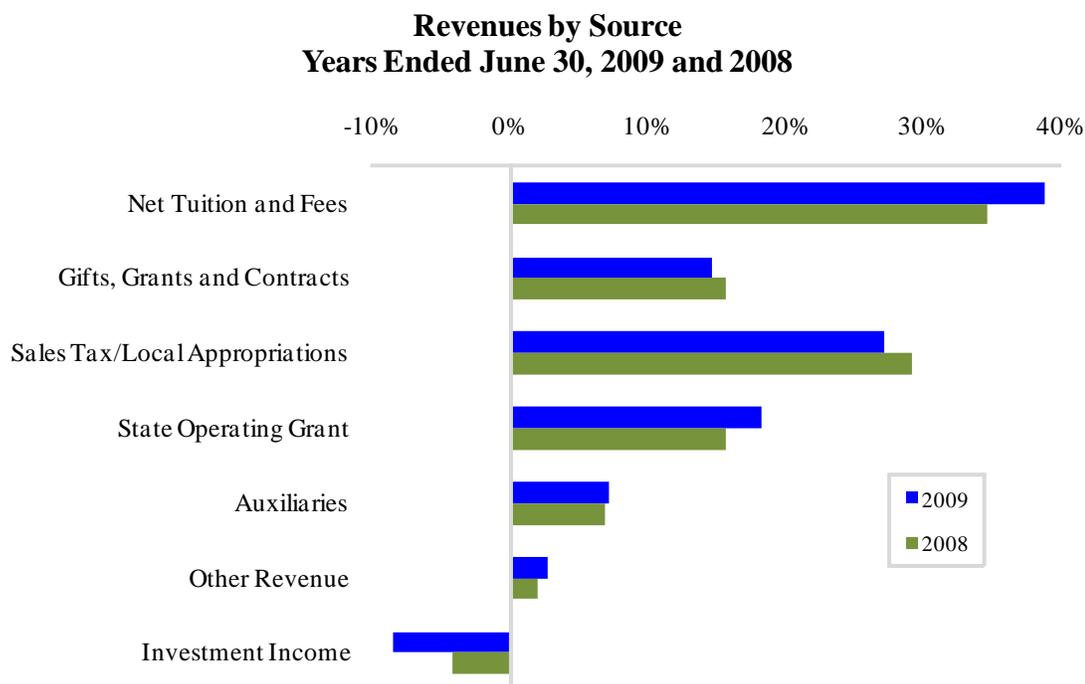
Operating expenses by function indicate 39.4 percent is attributable to instruction for the year ended June 30, 2010 compared to 40.6 percent for the year ended June 30, 2009. The percentages for the remaining operating expenses by functional area range from 11.3 percent for academic support to 2.6 percent for financial aid for the year ended June 30, 2010 compared to 10.5 percent for academic support to 0.9 percent for financial aid for the year ended June 30, 2009.

Fiscal Year 2009 Compared To Fiscal Year 2008

The Statement of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$7.4 million during the year ended June 30, 2009 compared to a decrease of \$3.2 million during fiscal year 2008. 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, 2009 and 2008.



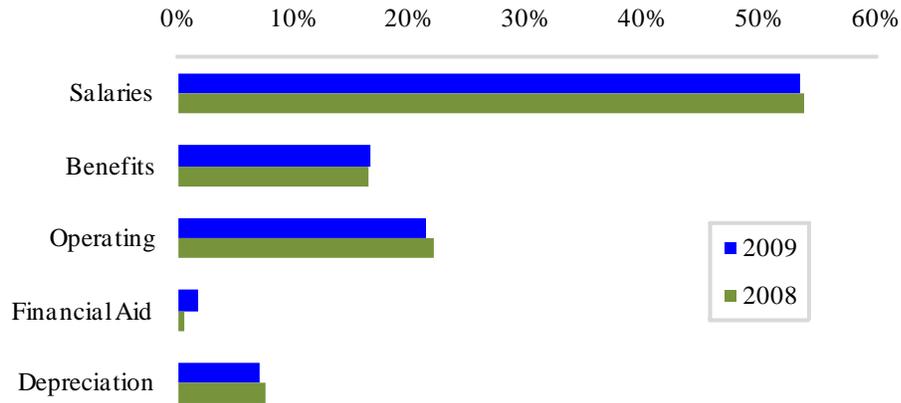
Sales tax/local appropriations and the state operating grant comprise 45.7 percent of the University's revenue for the year ended June 30, 2009 compared to 44.9 percent for the year ended June 30, 2008. The next largest revenue source was net tuition and fees, comprising 38.5 percent of revenue for the year ended June 30, 2009 compared to 34.7 percent for the year ended June 30, 2008. Excluding investment income, governmental appropriations and taxes account for 42.1 percent of revenue in fiscal year 2009, compared to 43.1 percent in fiscal year 2008.

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

Expenses

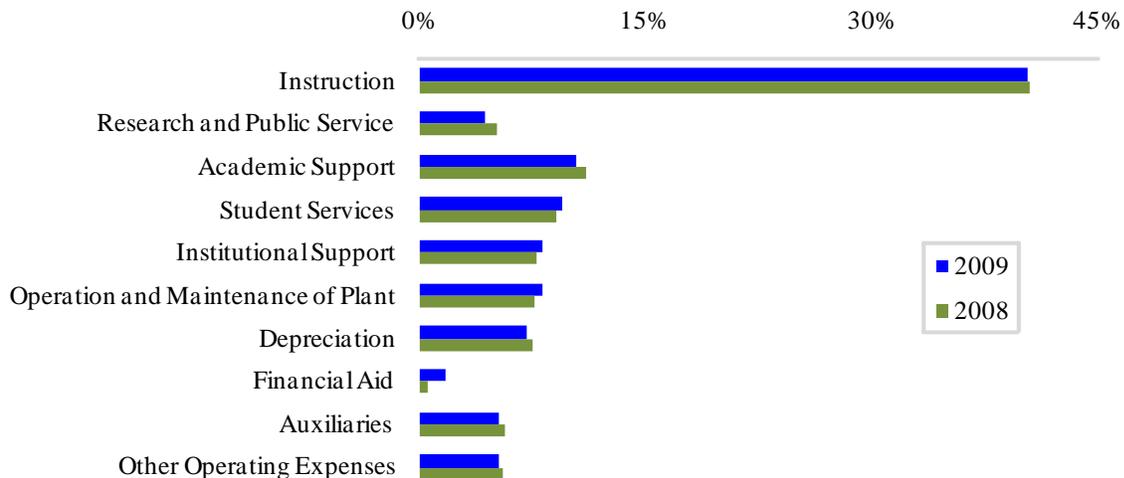
Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2009 and 2008.

**Operating Expenses by Natural Classification
Years Ended June 30, 2009 and 2008**



Salaries and benefits comprise 70.5 percent of expenses by natural classification for the year ended June 30, 2009 compared to 70.0 percent for the year ended June 30, 2008. Operating expenses represent 21.5 percent of total expenses for the year ended June 30, 2009 compared to 22.0 percent for the year ended June 30, 2008. Financial aid and depreciation represent the remaining 8.0 percent of expenses for the year ended June 30, 2009 compared to 8.0 percent for the year ended June 30, 2008.

**Operating Expenses by Function
Years Ended June 30, 2009 and 2008**



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Operating expenses by function indicate 40.6 percent is attributable to instruction for the year ended June 30, 2009 compared to 40.3 percent for the year ended June 30, 2008. The percentages for the remaining operating expenses by functional area range from 10.5 percent for academic support to 1.7 percent for financial aid for the year ended June 30, 2009 compared to 11.0 percent for academic support to 0.5 percent for financial aid for the year ended June 30, 2008.

The Statement of Cash Flows

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

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

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

Condensed Statement Of Cash Flows For The Years Ended June 30, 2010, 2009 And 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash provided by (used by):			
Operating activities	\$ (43,136,765)	\$ (40,806,371)	\$ (39,619,806)
Noncapital financing activities	51,837,336	52,634,906	45,291,411
Capital and related financing activities	(7,655,376)	(12,866,245)	(13,903,455)
Investing activities	10,810,642	6,188,620	8,587,506
Net increase in cash	11,855,837	5,150,910	355,656
Cash - Beginning of Year	13,717,492	8,566,582	8,210,926
Cash - End of Year	<u>\$ 25,573,329</u>	<u>\$ 13,717,492</u>	<u>\$ 8,566,582</u>

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2010 Compared to Fiscal Year 2009

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 \$11.9 million for the fiscal year ended June 30, 2010 compared to an increase of approximately \$5.2 million for the fiscal year ended June 30, 2009.

Fiscal Year 2009 Compared to Fiscal Year 2008

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 \$5.2 million for the fiscal year ended June 30, 2009 compared to an increase of approximately \$356,000 for the fiscal year ended June 30, 2008.

Capital Asset and Debt Administration

Major Maintenance Funding/Deferred Maintenance

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

In 2007, the Kansas Legislature enacted the State Educational Institution Long-Term Infrastructure Maintenance Program. One of the Program's provisions is the issuance by the Kansas Development Finance Authority of \$20 million in bonds each fiscal year from fiscal year 2008 through fiscal year 2012. Bond proceeds will be allocated to participating institutions in the form of interest-free loans from the state to finance approved infrastructure improvement projects. Principal and interest on the bonds will be paid from the state's general fund, and participating institutions will reimburse the state for the principal payments each year.

The University submitted four projects to the Kansas Board of Regents for consideration under the Program. Of these projects, two were approved for loan funding, for a total of \$3.4 million. These two projects began in fiscal year 2009. The University is required to pay \$425,625 per year for eight years under the terms of the loan; the initial annual payment was made in October 2008. Funding for these payments will come from property taxes assessed by the University's Debt Retirement and Construction Fund.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Capital Assets

The University made significant investments in capital assets during fiscal years 2010 and 2009. At June 30, 2010, the University had \$91.3 million invested in capital assets, net of accumulated depreciation, compared to \$93.1 million and \$87.2 million at June 30, 2009 and 2008, respectively. Depreciation charges totaled \$7.5 million for the fiscal year ended June 30, 2010 compared to \$6.6 million and \$6.2 million for the fiscal years ended June 30, 2009 and 2008, respectively.

Details of these assets are as follows:

Condensed Statement Of Capital Assets, Net Of Depreciation As Of June 30, 2010, 2009 And 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,444,449	\$ 1,444,449	\$ 1,444,449
Buildings, improvements and infrastructure	72,610,476	68,554,211	71,647,241
Furniture, fixtures and equipment	7,299,799	4,748,319	4,394,017
Computer and electronic equipment	2,022,269	2,689,085	2,127,139
Books and collections	1,619,718	1,633,959	1,807,966
Broadcasting tower, antenna and equipment	2,334,142	2,778,414	2,180,844
Vehicles	172,319	249,021	279,350
Works of art and historical treasures	2,508,014	2,437,714	2,437,734
Construction in progress	1,313,879	8,606,109	904,648
	<u>\$ 91,325,065</u>	<u>\$ 93,141,281</u>	<u>\$ 87,223,388</u>

Major capital additions during the fiscal year ended June 30, 2010 include Whiting Field House renovations, HVAC system upgrades and roof replacement at Petro Allied Health Center.

The major projects classified as construction in progress at June 30, 2010 are HVAC upgrades and renovation of the Phi Delta Theta fraternity house.

Major capital additions during the fiscal year ended June 30, 2009 include the Garvey fire alarm and security upgrade, sanitary sewer system construction and upgrades to the campus Honeywell HVAC control system.

The major projects classified as construction in progress at June 30, 2009 are the Whiting Field House renovation, HVAC system upgrades and roof replacement at Petro Allied Health Center.

During fiscal 2009, KTWU received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009. The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The current interest rate is 0.35%, and will reset on February 1, 2011.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Debt

At June 30, 2010, the University had \$26.3 million in outstanding debt compared to \$27.5 million at June 30, 2009 and \$28.9 million at June 30, 2008. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

Outstanding Debt Schedule
As Of June 30, 2010, 2009 And 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Series 1999	\$ —	\$ —	\$ 510,000
Series 2001 A & B	—	8,285,000	8,745,000
Series 2003	—	5,730,000	6,045,000
Series 2004	12,820,000	13,485,000	13,615,000
Series 2010	13,500,000	—	—
	<u>\$ 26,320,000</u>	<u>\$ 27,500,000</u>	<u>\$ 28,915,000</u>

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

Moody's Investors Service assigned an underlying municipal bond rating of A1 to the Series 2010 bonds (and a corresponding insured rating of Aa3). The underlying rating indicates that the University's Series 2010 bonds are considered upper-medium grade and are subject to low credit risk. Further, the insured rating on the bonds indicates that when taking bond insurance into account, the bonds are considered to be high-quality credits, subject to very low credit risk.

On 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 were 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.

As noted in the table above, the Series 1999 bonds not defeased in 2004 were fully paid as of June 30, 2009. The defeased Series 1999 bonds were redeemed during the fiscal year ended June 30, 2010.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

There was no additional debt issued during the fiscal year ended June 30, 2009.

Economic Outlook

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

State Operating Grant

In fiscal year 2007-2008, \$12,126,216 was budgeted for the state operating grant. The actual amount received from the state fell short, by approximately \$40,000, for a total of \$12,086,477.

Based on information provided by the state, a total operating grant amount of \$12,512,731 (an increase of \$426,000 over actual fiscal year 2007-2008 receipts) was budgeted for the 2008-2009 fiscal year. In June 2008, Governor Kathleen Sebelius called on all state agencies to cut 2% from their fiscal 2009 budgets. A further reduction was announced in February 2009. As a result, the University experienced a 4.25% decrease in state funding in fiscal 2009. In response to the anticipated loss in state funding, during fiscal 2009, University departments undertook a targeted expense budget reduction program, trimming just over \$1.4 million from its general fund budget.

The University budgeted for an additional 5.6% decrease in fiscal 2010, budgeting a total of \$11,307,796. For the first time in several years, the amount actually received was in excess of the amount budgeted. The total received was \$11,315,959, approximately \$8,000 more than what was budgeted. However, due to continued difficult economic conditions, The fiscal 2011 budget contemplates another decrease, down to \$11,058,258, or \$257,000 below actual fiscal 2010 receipts.

Due to the 8.8% decrease in state appropriations from fiscal 2008 to fiscal 2011, the University has been, and will continue, aggressively exploring cost-reduction options, as well as possible revenue enhancements.

Sales Taxes

In fiscal year 2007-2008, sales tax collections rebounded to \$20,403,545, the highest level since fiscal year 2004-2005. This was \$1.1 million above the budgeted amount, and \$1.4 million above the previous fiscal year. Despite the strong collections in fiscal year 2007-2008, the University left the fiscal year 2008-2009 budget at \$19,290,719 for the fourth consecutive year.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

As the economy weakened through the last quarter of 2008 and the first six months of 2009, sales tax collections for fiscal year 2008-2009 remained surprisingly strong. However, lower-than-expected collections in the last three months of the fiscal year resulted in total collections of \$19,288,625, just under the budgeted amount of \$19,290,719. Accordingly, sales taxes for fiscal year 2009-2010 were budgeted at the same amount as for the four previous years, \$19,290,719.

In the event, sales taxes collected during fiscal 2010 fell short of budget by \$96,000. Because sales tax collections for three of the four previous fiscal years were less than budgeted, the University budgeted \$393,000 less in sales tax revenues for fiscal 2011, a decrease of almost \$300,000 from the amount actually collected in fiscal 2010. The University's practice has been to budget sales tax revenues conservatively. In light of the uncertain economic environment, this practice appears more prudent than ever.

Tuition

The University's Board of Regents approved a base tuition increase of 5.7% for fiscal year 2007-2008. In addition, the University began charging a differential tuition rate for business and nursing courses. Students taking business courses pay an additional \$25 per credit hour for those courses, while students pay an additional \$15 per credit hour for nursing courses. Although the University experienced a decline in student credit hours, the combination of the tuition increase and the differential tuition generated approximately \$2.1 million in new revenue.

The Regents approved a base tuition increase of 6.5% for fiscal year 2008-2009. The tuition differential for nursing courses increased to \$25 per credit hour, while the business course tuition differential rose to \$45 per credit hour. Although the University experienced another decline in student credit hours, as in the prior fiscal year, the increase in tuition rates resulted in approximately \$1.6 million in new revenue.

The Regents approved a 2% base tuition increase for fiscal year 2009-2010 to help offset expected reductions in the state operating grant and potential sales tax shortfalls. In addition, the University budgeted a 9.45% decline in student credit hours; combined with the tuition rate increase, tuition revenues are budgeted at 3.2% less than the fiscal 2009 budget. However, fiscal 2010 tuition revenue is budgeted to be essentially level with actual fiscal 2009 tuition revenue.

For fiscal year 2010-2011, a 3% base tuition increase was approved to offset the expected reductions in state appropriations and sales tax revenues discussed above. Reflecting strong enrollment in fiscal 2010, an increase of 2.9% in student credit hours was budgeted. Enrollment in fall 2010 increased by more than 5% compared to fall 2009, indicating that the increase in credit hours may have been somewhat conservative. Taking the tuition rate increase and budgeted credit hour increases into account, tuition revenues are budgeted to be 6.3% higher in fiscal 2011 than what was budgeted in fiscal 2010, and slightly higher than actual fiscal 2010 tuition revenue.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

American Recovery and Reinvestment Act (ARRA)

As part of ARRA, commonly referred to as “the federal stimulus package,” the University and Washburn Tech were allotted a total of \$937,787 from the Kansas ARRA/State Fiscal Stabilization Fund/Education Stabilization Fund. Of this amount, \$181,507 applies to fiscal year 2009 (\$149,413 to the University, \$32,094 to Washburn Tech), and must be used for capital infrastructure projects. The fiscal year 2009 portion of these ARRA funds is included in the accompanying financial statements as revenue and as a receivable.

The remaining \$756,280 applies to fiscal year 2010. The University's portion of the fiscal year 2010 allocation is \$622,555, and is being used to offset a portion of the budgeted decline in the state operating grant and other general fund revenue sources. Washburn Tech's share of fiscal year 2010 ARRA funding, \$133,725, will be used for capital infrastructure projects.

The final allocation of ARRA funding, for fiscal 2011, is equal to the fiscal 2010 allocation. As in the fiscal 2010, the fiscal 2011 allocation of \$622,555 for the University will be used to offset reductions in other general fund revenue sources. To minimize the “budget shock,” the University has budgeted half of the 2011 allocation for fiscal 2011 operations, with the remaining half to be budgeted for fiscal 2012. This allows the University to identify other revenue sources to replace the ARRA funding over the next two fiscal years rather than just over fiscal year 2011.

Recognizing the likelihood of additional state funding reductions during fiscal year 2010, the chance for a prolonged economic downturn and to guard against higher-than-expected declines in credit hours, the University continues to explore cost-reduction measures and possible revenue enhancements.

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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Other Information

In 2007, the Kansas Legislature enacted legislation requiring all vocational/technical schools in the state to merge or affiliate with a four-year post-secondary institution, or to reorganize as a technical college. On May 2, 2008, the University's Board of Regents approved a transition plan under which Kaw Area Technical School (now known as Washburn Institute of Technology, or "Washburn Tech") would affiliate with the University, and the University would replace Topeka Public Schools as the managing partner of Washburn Tech. The transition plan was approved by the Kansas Board of Regents on May 15, 2008. As a result, on July 1, 2008, the University and Washburn Tech were formally affiliated. Governance functions previously performed by the Board of Education of the Topeka Public Schools passed to the University's Board of Regents at that time.

Certain assets and liabilities of Washburn Tech were transferred to the University as part of the agreement, including all equipment and personal property. Real property comprising Washburn Tech's campus remains titled to Topeka Public Schools, and is being leased to the University for a nominal amount. Washburn Tech operations and funding sources will remain as they were before the affiliation with the University. Certain administrative functions, such as facilities services and information services, will be performed for Washburn Tech by the University and billed to Washburn Tech on a fee-for-services basis.

Requests For Information

This financial report is designed to provide the reader a general overview of the University's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Chris Leach, Director of Finance, Washburn University, Morgan Hall 225, 1700 SW College Ave., Topeka, Kansas 66621.

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET ASSETS

Page 1 Of 2

Assets

	June 30,	
	2010	2009
Current Assets		
Cash and cash equivalents	\$ 25,573,329	\$ 13,717,492
Short-term investments	4,046,000	10,046,000
Taxes receivable	3,580,034	3,554,102
Accounts receivable, net of allowance of \$1,142,000 and \$1,090,000 in 2010 and 2009, respectively	3,796,301	4,997,976
Receivable from Kansas Board of Regents	761,375	3,093,884
Receivable from Washburn University Foundation	293,817	270,176
Other current receivables	300,000	300,714
Inventories	974,201	903,225
Other assets	1,528,312	1,395,783
Total Current Assets	40,853,369	38,279,352
Noncurrent Assets		
Perkins loans receivable	1,093,293	1,292,465
Receivable from Washburn University Foundation	29,201,741	27,642,134
Equity in the net assets of Washburn University Foundation	12,280,317	11,225,640
Endowment investments	302,480	294,691
Bond issuance costs, net of accumulated amortization of \$161,839 and \$420,776 in 2010 and 2009, respectively	556,681	581,279
Capital assets, net	91,325,065	93,141,281
Total Noncurrent Assets	134,759,577	134,177,490
Total Assets	\$ 175,612,946	\$ 172,456,842

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET ASSETS

Page 2 Of 2

Liabilities And Net Assets

	June 30,	
	2010	2009
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,389,162	\$ 8,061,833
Accrued compensated absences, current position	1,455,302	1,484,371
Accrued postemployment benefits, current portion	288,754	305,585
Deferred revenue	1,597,287	1,497,678
Loan payable, current portion	45,635	45,635
Loan with Kansas Board of Regents, current portion	425,625	425,625
Building revenue bonds, current portion	1,640,000	1,470,000
Deposits held in custody for others	240,427	234,456
Total Current Liabilities	12,082,192	13,525,183
Noncurrent Liabilities		
Accrued compensated absences	106,247	101,115
Accrued postemployment benefits	349,616	149,744
Loan payable	365,079	410,713
Loan with Kansas Board of Regents	2,128,125	2,553,750
Building revenue bonds	23,704,711	25,223,069
Total Noncurrent Liabilities	26,653,778	28,438,391
Total Liabilities	38,735,970	41,963,574
Net Assets		
Invested in capital assets, net of related debt	64,144,211	58,578,295
Restricted		
Nonexpendable		
Endowments	26,109,866	24,801,334
Expendable		
Scholarships, tuition and other	13,748,700	12,268,812
Loans	1,466,135	1,516,085
Self-insurance	1,532,107	1,118,864
Capital projects	6,488,907	8,898,109
Debt service	1,555,263	2,226,072
Other	2,655,206	2,394,319
Unrestricted	19,176,581	18,691,378
Total Net Assets	136,876,976	130,493,268
Total Liabilities And Net Assets	\$ 175,612,946	\$ 172,456,842

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

Assets

	June 30,	
	2010	2009
Assets		
Cash and cash equivalents	\$ 1,470,337	\$ 1,542,864
Investments	115,861,842	105,178,340
Bequests receivable	1,044,293	30,660
Pledges receivable, less allowance for uncollectible pledges of \$126,656 and \$153,369 in 2010 and 2009, respectively	4,792,370	5,569,538
Accrued investment income receivable	37,826	76,415
Beneficial interests in trusts	8,898,269	6,270,634
Furniture and equipment, net of accumulated depreciation of \$141,531 and \$107,710 in 2010 and 2009, respectively	152,151	170,321
Total Assets	\$ 132,257,088	\$ 118,838,772

Liabilities And Net Assets

Liabilities		
Accounts payable	\$ 67,934	\$ 73,404
Accrued payroll, taxes and benefits	194,635	260,925
Due to Washburn University of Topeka	287,531	270,176
Charitable gift liabilities	224,132	440,643
Funds managed on behalf of Washburn University of Topeka	29,201,741	27,642,134
Funds managed on behalf of Washburn Law School Foundation School of Law	7,722,096	7,278,525
Total Liabilities	37,698,069	35,965,807
Net Assets		
Unrestricted	4,699,201	1,180,581
Temporarily restricted	34,290,680	32,983,100
Permanently restricted	55,569,138	48,709,284
Total Net Assets	94,559,019	82,872,965
Total Liabilities And Net Assets	\$ 132,257,088	\$ 118,838,772

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

Assets

	June 30,	
	2010	2009
Investments held at Washburn University Foundation	\$ 7,722,096	\$ 7,278,525

Liabilities And Net Assets

Net Assets		
Unrestricted	\$ 2,473,993	\$ 2,226,230
Temporarily restricted	525,677	472,928
Permanently restricted	4,722,426	4,579,367
Total Net Assets	7,722,096	7,278,525
Total Liabilities And Net Assets	\$ 7,722,096	\$ 7,278,525

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Page 1 Of 2

	For The Year	
	Ended June 30,	
	2010	2009
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$13,768,444 and \$10,150,297 in 2010 and 2009 respectively)	\$ 30,699,991	\$ 32,192,848
Federal grants and contracts	811,477	1,262,644
State and local grants and contracts	—	36,279
Sales and services of educational departments	1,411,475	1,644,268
Auxiliary enterprises		
Residential living (net of scholarship allowances of \$285,119 and \$186,066 in 2010 and 2009 respectively; revenues are used as security for revenue bonds Series 2004 and 2010)	2,123,970	2,024,607
Memorial Union (revenues are used as security for revenue bonds Series 2010)	4,153,153	4,019,184
Other operating revenues	330,198	326,453
Total Operating Revenues	39,530,264	41,506,283
Operating Expenses		
Educational and general		
Instruction	36,508,467	37,731,825
Research	194,369	95,916
Public service	3,995,675	4,005,690
Academic support	10,504,011	9,754,595
Student services	8,464,217	8,807,769
Institutional support	6,985,881	7,544,484
Operatings and maintenance of plant	7,090,419	7,635,230
Depreciation	7,524,553	6,637,463
Financial aid	2,384,678	811,092
Auxiliary enterprises		
Residential Living	1,134,564	1,054,821
Memorial Union	4,001,544	3,804,368
Self-insurance claims, net of premiums	3,901,417	4,949,042
Other expenditures	2,370	3,392
Total Operating Expenses	92,692,165	92,835,687
Operating Loss	(53,161,901)	(51,329,404)

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Page 2 Of 2

	For The Year	
	Ended June 30,	
	2010	2009
Nonoperating Revenues (Expenses)		
State appropriations	\$ 13,793,678	\$ 15,429,533
Local appropriations	22,779,750	22,931,295
Federal grants and contracts	12,156,462	7,839,229
State and local grants and contracts	334,773	—
Nongovernmental grants and contracts	36,002	—
Gifts	2,714,748	2,022,686
Investment income (loss)	7,275,537	(7,263,633)
Interest on indebtedness	(1,317,950)	(1,301,174)
Other nonoperating expenses	(170,199)	(1,381,106)
Net Nonoperating Revenues (Expenses)	57,602,801	38,276,830
Income (Loss) Before Other Revenues	4,440,900	(13,052,574)
Capital Grants - Federal	133,725	356,317
Capital Grants And Gifts - Non-Federal	1,696,820	848,745
Additions To Permanent Endowments	112,263	219,174
Net Assets Received From Topeka Public Schools, July 1, 2008	—	4,233,951
Increase (Decrease) In Net Assets	6,383,708	(7,394,387)
Net Assets - Beginning Of Year	130,493,268	137,887,655
Net Assets - End Of Year	\$ 136,876,976	\$ 130,493,268

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support And Revenues				
Support				
Contributions	\$ 2,832,885	\$ 2,258,406	\$ 6,215,986	\$ 11,307,277
Change in beneficial interest	—	321,285	365,319	686,604
Total support	2,832,885	2,579,691	6,581,305	11,993,881
Revenues				
Investment income (loss)	3,174,536	5,328,874	139,969	8,643,379
Administration	1,055,611	—	—	1,055,611
Events	116,779	—	—	116,779
Other	6,181	141,510	602	148,293
Total revenue	4,353,107	5,470,384	140,571	9,964,062
Net assets released from restrictions satisfaction of program and time restrictions	5,678,603	(5,678,603)	—	—
Total Support And Revenue	12,864,595	2,371,472	6,721,876	21,957,943
Expenses				
Program services	6,786,104	—	—	6,786,104
Management and general	1,442,620	—	—	1,442,620
Fundraising	2,043,165	—	—	2,043,165
Total Expenses	10,271,889	—	—	10,271,889
Excess Of Revenues Over Expenses	2,592,706	2,371,472	6,721,876	11,686,054
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	1,035,229	(1,035,229)	—	—
Other Interfund Transfers, Net	(109,315)	(28,663)	137,978	—
Change In Net Assets	3,518,620	1,307,580	6,859,854	11,686,054
Net Assets - Beginning Of Year	1,180,581	32,983,100	48,709,284	82,872,965
Net Assets - End Of Year	\$ 4,699,201	\$ 34,290,680	\$ 55,569,138	\$ 94,559,019

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support And Revenues				
Contributions	\$ 122,410	\$ 32,350	\$ 2,555	\$ 157,315
Return on investments	409,482	468,455	16,359	894,296
Nongift and other income	—	18,538	122,645	141,183
Net assets released from restriction	275,117	(275,117)	—	—
Total Support And Revenues	807,009	244,226	141,559	1,192,794
Expenses				
Program expenses				
Scholarships	483,823	—	—	483,823
General support of Law School	23,341	—	—	23,341
Management and general	242,059	—	—	242,059
Total Expenses	749,223	—	—	749,223
Excess (Deficiency) Of Revenues Over Expenses	57,786	244,226	141,559	443,571
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	144,477	(144,477)	—	—
Other Interfund Transfers, Net	45,500	(47,000)	1,500	—
Change In Net Assets	247,763	52,749	143,059	443,571
Net Assets - Beginning Of Year	2,226,230	472,928	4,579,367	7,278,525
Net Assets - End Of Year	\$ 2,473,993	\$ 525,677	\$ 4,722,426	\$ 7,722,096

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support And Revenues				
Support				
Contributions	\$ 2,058,162	\$ 1,689,293	\$ 1,915,125	\$ 5,662,580
Change in beneficial interest	—	131,480	(850,690)	(719,210)
Total support	2,058,162	1,820,773	1,064,435	4,943,370
Revenues				
Investment income (loss)	(623,510)	(15,396,668)	70,368	(15,949,810)
Administration	1,165,071	—	—	1,165,071
Events	121,106	—	—	121,106
Other	3,329	144,926	5,134	153,389
Total revenue (loss)	665,996	(15,251,742)	75,502	(14,510,244)
Net Assets Released from Restrictions				
Satisfaction of program and time restrictions	3,784,771	(3,784,771)	—	—
Total Support And Revenue	6,508,929	(17,215,740)	1,139,937	(9,566,874)
Expenses				
Program services	5,764,607	—	—	5,764,607
Management and general	1,465,371	—	—	1,465,371
Fundraising	2,050,957	—	—	2,050,957
Total Expenses	9,280,935	—	—	9,280,935
Excess (Deficiency) Of Revenues Over Expenses	(2,772,006)	(17,215,740)	1,139,937	(18,847,809)
Net Asset Reclassification Based On				
Change In Law	(6,768,366)	6,768,366	—	—
Net Interfund Transfer Related To Market				
Values Of Endowed Funds Below Original				
Donor Contributions	(7,258,072)	7,258,072	—	—
Other Interfund Transfers	8,893	(158,617)	149,724	—
Change In Net Assets	(16,789,551)	(3,347,919)	1,289,661	(18,847,809)
Net Assets - Beginning Of Year	17,970,132	36,331,019	47,419,623	101,720,774
Net Assets - End Of Year	\$ 1,180,581	\$ 32,983,100	\$ 48,709,284	\$ 82,872,965

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Contributions	\$ 136,833	\$ 8,225	\$ 51,360	\$ 196,418
Return on investments	(985,000)	(1,016,150)	8,893	(1,992,257)
Nongift and other income	7,900	—	(5,103)	2,797
Net assets released from restriction	313,346	(313,346)	—	—
Total Support And Revenues	(526,921)	(1,321,271)	55,150	(1,793,042)
Expenses				
Program expenses				
Scholarships	267,290	—	—	267,290
General support of Law School	251,987	—	—	251,987
Management and general	267,999	—	—	267,999
Total Expenses	787,276	—	—	787,276
Excess (Deficiency) Of Revenues Over Expenses	(1,314,197)	(1,321,271)	55,150	(2,580,318)
Net Asset Reclassification Based On Change In Law	(31,898)	31,898	—	—
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	(1,107,694)	1,107,694	—	—
Other Interfund Transfers, Net	(53,000)	50,000	3,000	—
Change In Net Assets	(2,506,789)	(131,679)	58,150	(2,580,318)
Net Assets - Beginning Of Year	4,733,019	604,607	4,521,217	9,858,843
Net Assets - End Of Year	\$ 2,226,230	\$ 472,928	\$ 4,579,367	\$ 7,278,525

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF CASH FLOWS

Page 1 Of 2

	For The Years Ended June 30,	
	2010	2009
Cash Flows From Operating Activities		
Tuition and fees	\$ 31,735,718	\$ 33,644,012
Grants and contracts	896,687	1,245,364
Auxiliary enterprise charges		
Residential Living	2,173,271	1,982,236
Memorial Union	3,968,146	4,033,900
Sales and services of educational departments	1,417,617	1,652,743
Collection of loans issued to students	179,253	173,459
Other receipts	355,471	402,029
Self-insurance premiums	930,264	271,191
Payments to suppliers	(13,091,403)	(14,471,931)
Payments to employees	(62,881,596)	(61,276,015)
Payments for scholarships and fellowships	(2,384,676)	(1,589,552)
Loans issued to students	(4,925)	(242,741)
Payments for self-insurance claims and administrative fees	(6,430,592)	(6,631,066)
Net Cash Used In Operating Activities	(43,136,765)	(40,806,371)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	10,000,000	29,000,000
Interest on investments	4,810,642	2,188,620
Purchase of investments	(4,000,000)	(25,000,000)
Net Cash Provided By Investing Activities	10,810,642	6,188,620
Cash Flows From Noncapital Financing Activities		
State appropriations	13,793,678	15,429,533
Local appropriations	22,753,818	23,287,822
Gifts and grants for other than capital purposes	15,318,365	10,482,351
Cash received from Topeka Public Schools	61,306	3,537,665
Federal Family Education loan receipts	51,334,821	48,508,655
Federal Family Education loan disbursements	(51,425,325)	(48,471,415)
Agency account transactions	673	(139,705)
Net Cash Provided By Noncapital Financing Activities	51,837,336	52,634,906
Cash Flows From Capital And Related Financing Activities		
Proceeds from issuance of debt	86,085	—
Issue costs paid on debt	(76,005)	—
Proceeds from capital loans	2,332,509	767,464
Capital grants and gifts received	2,437,438	1,471,334
Purchase of capital assets	(9,292,203)	(11,999,983)
Principal paid on capital loans	(471,260)	(425,625)
Principal paid on long-term debt	(1,470,000)	(1,415,000)
Interest paid on long-term debt	(1,201,940)	(1,264,435)
Net Cash Used In Capital And Related Financing Activities	(7,655,376)	(12,866,245)
Increase In Cash And Cash Equivalents	11,855,837	5,150,910
Cash And Cash Equivalents - Beginning Of Year	13,717,492	8,566,582
Cash And Cash Equivalents - End Of Year	\$ 25,573,329	\$ 13,717,492

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF CASH FLOWS

Page 2 Of 2

	For The Years	
	Ended June 30,	
	2010	2009
Reconciliation Of Operating Loss To Net Cash		
Used In Operating Activities		
Operating loss	\$ (53,161,901)	\$ (51,329,404)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,524,553	6,637,463
Provision for uncollectible accounts receivable	298,756	274,457
Write-off of Perkins loans	42,459	33,249
Changes in assets and liabilities:		
Receivables, net	550,247	(52,084)
Inventories	(70,976)	(61,233)
Receivables from Washburn University Foundation	(8,482)	150
Other assets	(2,620,632)	(521,512)
Perkins loans receivable	156,713	(68,882)
Accounts payable	3,893,783	3,321,505
Compensated absences	(23,937)	124,283
Postemployment benefits	183,042	455,328
Deferred revenue	99,610	380,309
Net Cash Used In Operating Activities	\$ (43,136,765)	\$ (40,806,371)
Noncash Investing And Financing Transactions		
Change in fair value of investments	\$ 1,303,891	\$ (9,888,730)
Refunding of Series 2001 and 2003 bonds	13,210,000	—
Bond issuance costs reducing proceeds of capital debt	220,085	—
Receivable from capital loan payable	—	3,403,000
Capitalization of interest	21,650	103,259
Capital gifts	84,457	—
Capital additions included in accounts payable	761,218	2,219,607
Noncash Assets And Liabilities Of Washburn Tech, July 1, 2008		
Current assets	—	3,810,221
Capital assets	—	473,895
Current liabilities	—	51,015

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 And 2009

1. Nature Of Operations And Summary Of Significant Accounting Policies

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. On July 1, 2008, the University and Washburn Institute of Technology (Washburn Tech, formerly known as Kaw Area Technical School) were formally affiliated in compliance with Kansas statutory requirements. Governance functions previously performed by the Board of Education of Topeka Public Schools passed to the University's Board of Regents at that time. Washburn Tech is included in the University's financial statements as a blended component unit in compliance with the Governmental Accounting Standards Board's (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB 39.

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

The accompanying financial statements present the University and Washburn Tech as a blended entity, and the University's discretely-presented 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. References in these financial statements and notes to "the University" refer to the blended entity unless otherwise noted.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

A summary of Washburn Tech's assets, liabilities and net assets as of July 1, 2008 is presented below:

Assets	
Cash	\$ 850
Other current assets	3,810,221
Capital assets	<u>473,895</u>
	<u>\$ 4,284,966</u>
Liabilities	
	\$ 51,015
Net Assets	<u>4,233,951</u>
	<u>\$ 4,284,966</u>

Discretely Presented Component Units

Washburn University Foundation (the Foundation), known prior to July 1, 2010 as Washburn Endowment 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 Foundation manages primarily endowment or trust funds, the income from which is used for the benefit of the University. The Foundation is responsible for the fund raising activities of the University.

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

The financial statements of Washburn University Foundation and Washburn Law School Foundation follow Financial Accounting Standards Board (FASB) standards. Complete financial statements for the Washburn University Foundation and the Washburn Law School Foundation may be obtained at their administrative offices at 1729 MacVicar Avenue, Topeka, Kansas 66604.

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

The University distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from 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.

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 \$21,650 and \$103,259 for the years ended June 30, 2010 and 2009, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

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

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

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

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

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

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.

Other Postemployment Benefits

Certain current and retired Washburn Tech employees are participants in the Topeka Public Schools (TPS) early retirement plan. The University assumed the liability for postemployment benefits of these employees at the time of the affiliation with Washburn Tech. Because the amount of the assumed liability is not available from TPS, the University calculates its liability of \$157,305 and \$224,662 at June 30, 2010 and 2009, respectively, using the alternative measurement method allowed by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, using demographic information provided by TPS. For purposes of applying GASB 45, the early retirement plan is treated as if it is a single-employer plan with fewer than 100 employees.

During the years ended June 30, 2010 and 2009, the University offered an early retirement incentive to eligible employees. Benefits under these offers are accounted for in compliance with GASB Statement No. 47, *Accounting for Termination Benefits*. The liability recorded at June 30, 2010 and 2009 is \$481,065 and \$230,667, respectively.

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 – Nonexpendable

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

Restricted Net Assets – Expendable

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

Unrestricted Net Assets

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

Reclassifications And Adjustment

Certain 2009 amounts have been reclassified to conform to the 2010 presentation. In addition, the University increased the capital asset and related accumulated depreciation balances for fully depreciated assets that were received as part of Washburn Tech in fiscal year 2009 but not recorded in the financial statements until fiscal year 2010. The effect of the adjustment was an increase to capital assets and accumulated depreciation of \$2,239,043. These reclassifications and adjustment had no effect on total net assets.

2. Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the years ended June 30, 2010 and 2009.

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

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

3. Cash And Investments

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

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, 2010 and 2009.

At June 30, 2010 and 2009, the University had the following short-term investments (which have an original maturity date of one year or less):

	<u>2010</u>	<u>2009</u>
Certificates Of Deposit		
Kaw Valley State Bank	\$ 4,000,000	\$ —
CoreFirst Bank & Trust	46,000	7,046,000
Capital City Bank	—	3,000,000
	<u>\$ 4,046,000</u>	<u>\$ 10,046,000</u>

Investments

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2010 and 2009. 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 held by the University at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Preferred stocks, carried at fair value (cost of \$12,500 for 2010 and 2009)	\$ 12,725	\$ 12,200
Mutual funds, carried at fair value (cost of \$266,057 and \$274,929 for 2010 and 2009, respectively)	257,755	250,491
Fixed income securities, at fair value	32,000	32,000
	<u>\$ 302,480</u>	<u>\$ 294,691</u>

Mutual funds and fixed income securities represent more than 5% of the total investments of the University. Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's mutual funds are due in less than one year and the fixed income securities mature in 2014. Credit risk is the risk that the University will not recover its investments due to the ability of the counterparty to fulfill their obligation. As of June 30, 2010, the mutual funds were unrated and the fixed income securities were rated A by Standard & Poor's.

4. Receivable From Kansas Board Of Regents

In 2007, the Kansas Legislature enacted the State Educational Institution Long-Term Infrastructure Maintenance Program. One of the Program's provisions is the issuance by the Kansas Development Finance Authority of \$20 million in bonds each fiscal year from fiscal year 2008 through fiscal year 2012. Bond proceeds will be allocated to participating institutions in the form of interest-free loans from the state to finance approved infrastructure improvement projects. Principal and interest on the bonds will be paid from the state's general fund, and participating institutions will reimburse the state for the principal payments each year.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The University submitted four projects to the Kansas Board of Regents (KBOR) for consideration under the Program. Of these projects, two were approved for loan funding, for a total of \$3.4 million. These two projects began in fiscal year 2009. Funds are disbursed by KBOR as approved expenditures are incurred and submitted for reimbursement. The change in the receivable balance for the year ended June 30, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
Receivable from KBOR - beginning of year	\$ 3,093,884	\$ —
Loan issuance	—	3,405,000
Reimbursements received	<u>(2,332,509)</u>	<u>(311,116)</u>
Receivable from KBOR - end of year	<u>\$ 761,375</u>	<u>\$ 3,093,884</u>

The University is required to pay \$425,625 per year for eight years under the terms of the loan; the initial annual payment was made in October 2008. The annual requirements to repay the loan outstanding at June 30, 2010 are as follows:

<u>For The Year Ending June 30,</u>	<u>Principal</u>
2011	\$ 425,625
2012	425,625
2013	425,625
2014	425,625
2015	425,625
2016	425,625
	<u>\$ 2,553,750</u>

The following is a summary of changes in long-term debt for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Loan payable to KBOR - beginning of year	\$ 2,979,375	\$ —
Loan issuance	—	3,405,000
Retired	<u>(425,625)</u>	<u>(425,625)</u>
Loan payable to KBOR - end of year	<u>\$ 2,553,750</u>	<u>\$ 2,979,375</u>
Loan payable to KBOR - due within one year	<u>\$ 425,625</u>	<u>\$ 425,625</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

5. Receivable From Washburn University Foundation

Receivable from Washburn University Foundation consists of the University's participation in investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, their share of the Foundation's investments is recorded as a receivable from the Foundation. Receivables from the Foundation consisted of the following items held by the Foundation as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Contributions for scholarships and other activities	\$ 1,416,757	\$ 1,425,434
Held pledges receivable	26,969	3,430
Restricted endowment income	1,580,800	1,440,676
Unreimbursed operating expenses of the Foundation due to the University	293,817	270,176
University endowment funds managed by the Foundation (see activity below)	26,177,214	24,772,594
	<u>\$ 29,495,557</u>	<u>\$ 27,912,310</u>

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

	<u>2010</u>	<u>2009</u>
Current receivable from Washburn University Foundation	\$ 293,817	\$ 270,176
Noncurrent receivable from Washburn University Foundation	29,201,741	27,642,134
	<u>\$ 29,495,557</u>	<u>\$ 27,912,310</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The University has transferred to the Foundation certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Foundation. The activity of these assets at June 30, 2010 and 2009 and for the years then ended is as follows:

	<u>2010</u>	<u>2009</u>
Cumulative amount transferred, beginning of year	\$ 23,364,886	\$ 23,364,886
Post-transfer additions, beginning of year	853,565	547,572
Earnings added to corpus during the year	237,111	86,819
Gifts received during the year	112,263	219,174
End of year, at cost	24,567,825	24,218,451
Cumulative net unrealized gains	1,609,389	554,143
End of year, at fair value	\$ 26,177,214	\$ 24,772,594

6. Equity In The Net Assets Of Washburn University Foundation

Contributions for specific capital projects, scholarships and other activities are being held and invested by the Foundation until the University requests the funds be transferred to the University. The University had a claim on the net assets of the Foundation in the amount of \$12,280,317 and \$11,225,640 as of June 30, 2010 and 2009, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

7. Capital Assets

The following is a summary of capital assets for the years ended June 30, 2010 and 2009:

	2010				Balance - June 30, 2010
	Balance - July 1, 2009	Additions	Retirements	Construction In Progress Placed In Service	
Capital assets, not being depreciated					
Land	\$ 1,444,449	\$ —	\$ —	\$ —	\$ 1,444,449
Works of art and historical treasures	2,437,714	70,300	—	—	2,508,014
Construction in progress	8,606,109	3,346,535	—	(10,638,765)	1,313,879
Total capital assets, not being depreciated	12,488,272	3,416,835	—	(10,638,765)	5,266,342
Capital assets, being depreciated					
Buildings, improvements and infrastructure	114,060,009	8,076,302	—	—	122,136,311
Furniture, fixtures and equipment	15,074,037	3,727,053	(159,495)	—	18,641,595
Computers and electronic equipment	13,885,621	505,794	(411,338)	—	13,980,077
Books and collections	18,807,014	448,613	—	—	19,255,627
Broadcasting tower, antenna and equipment	8,142,256	181,455	(173,048)	—	8,150,663
Vehicles	787,044	10,194	(18,555)	—	778,683
Total capital assets, being depreciated	170,755,981	12,949,411	(762,436)	—	182,942,956
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(45,505,798)	(4,020,037)	—	—	(49,525,835)
Furniture, fixtures and equipment	(10,325,718)	(1,172,209)	156,131	—	(11,341,796)
Computers and electronic equipment	(11,196,536)	(1,171,829)	410,557	—	(11,957,808)
Books and collections	(17,173,055)	(462,854)	—	—	(17,635,909)
Broadcasting tower, antenna and equipment	(5,363,842)	(625,727)	173,048	—	(5,816,521)
Vehicles	(538,023)	(71,897)	3,556	—	(606,364)
Total accumulated depreciation	(90,102,972)	(7,524,553)	743,292	—	(96,884,233)
Total capital assets being depreciated, net	80,653,009	5,424,858	(19,144)	—	86,058,723
Total capital assets	\$ 93,141,281	\$ 8,841,693	\$ (19,144)	\$ (10,638,765)	\$ 91,325,065

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2009				
	Balance - July 1, 2008	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2009
Capital assets, not being depreciated					
Land	\$ 1,444,449	\$ —	\$ —	\$ —	\$ 1,444,449
Works of art and historical treasures	2,437,734	—	(20)	—	2,437,714
Construction in progress	904,648	8,634,514	—	(933,053)	8,606,109
Total capital assets, not being depreciated	4,786,831	8,634,514	(20)	(933,053)	12,488,272
Capital assets, being depreciated					
Buildings, improvements and infrastructure	113,726,985	38,456	—	294,568	114,060,009
Furniture, fixtures and equipment	12,565,299	2,552,228	(43,490)	—	15,074,037
Computers and electronic equipment	11,973,459	2,006,362	(671,573)	577,373	13,885,621
Books and collections	18,386,988	420,026	—	—	18,807,014
Broadcasting tower, antenna and equipment	6,978,400	1,102,744	—	61,112	8,142,256
Vehicles	741,834	45,210	—	—	787,044
Total capital assets, being depreciated	164,372,965	6,165,026	(715,063)	933,053	170,755,981
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(42,079,744)	(3,426,054)	—	—	(45,505,798)
Furniture, fixtures and equipment	(8,171,282)	(2,193,065)	38,629	—	(10,325,718)
Computers and electronic equipment	(9,846,320)	(2,021,529)	671,313	—	(11,196,536)
Books and collections	(16,579,022)	(594,033)	—	—	(17,173,055)
Broadcasting tower, antenna and equipment	(4,797,556)	(566,286)	—	—	(5,363,842)
Vehicles	(462,484)	(75,539)	—	—	(538,023)
Total accumulated depreciator	(81,936,408)	(8,876,506)	709,942	—	(90,102,972)
Total capital assets being depreciated, net	82,436,557	(2,711,480)	(5,121)	933,053	80,653,009
Total capital assets	\$ 87,223,388	\$ 5,923,034	\$ (5,141)	\$ —	\$ 93,141,281

The University had approximately \$3,807,000 and \$3,870,000, respectively, at June 30, 2010 and 2009 in commitments for building construction and other contracts.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

8. Building Revenue Bonds

The following is a summary of changes in long-term debt for the years ended June 30, 2010 and 2009:

	Balance			Balance	Due Within
	July 1, 2009	Issued	Retired	Jun 30, 2010	One Year
Series 2001 A	\$ 6,440,000	\$ —	\$ 6,440,000	\$ —	\$ —
Series 2001 B	1,845,000	—	1,845,000	—	—
Series 2003	5,730,000	—	5,730,000	—	—
Series 2004	13,485,000	—	665,000	12,820,000	685,000
Series 2010	—	13,500,000	—	13,500,000	955,000
	<u>\$ 27,500,000</u>	<u>\$ 13,500,000</u>	<u>\$ 14,680,000</u>	26,320,000	<u>\$ 1,640,000</u>

Add: unamortized premium on bonds	201,000
Less: deferred costs of refunding Series 1999, 2001 & 2003 bonds	(1,176,289)
Less: current portion	<u>(1,640,000)</u>
	<u>\$ 23,704,711</u>

	Balance			Balance	Due Within
	July 1, 2008	Issued	Retired	Jun 30, 2009	One Year
Series 1999	\$ 510,000	\$ —	\$ 510,000	\$ —	\$ —
Series 2001 A	6,795,000	—	355,000	6,440,000	370,000
Series 2001 B	1,950,000	—	105,000	1,845,000	105,000
Series 2003	6,045,000	—	315,000	5,730,000	330,000
Series 2004	13,615,000	—	130,000	13,485,000	665,000
	<u>\$ 28,915,000</u>	<u>\$ —</u>	<u>\$ 1,415,000</u>	27,500,000	<u>\$ 1,470,000</u>

Add: unamortized premium on bonds	230,236
Less: deferred costs of refunding Series 1999 bonds	(1,037,167)
Less: current portion	<u>(1,470,000)</u>
	<u>\$ 25,223,069</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

On June 30, 2010, the University issued \$13,500,000 in Refunding Revenue Bonds (the “2010 Series”), with interest rates of 2.00% to 3.70%, to currently refund \$6,070,000 of Series 2001 A bonds (the “2001 A Series”), \$1,740,000 of Series 2001 B bonds (the “2001 B Series”) and \$5,400,000 of Series 2003 bonds (the “2003 Series”). The total amount refunded was \$13,210,000. The 2001 A Series, 2001 B Series and 2003 Series were called for redemption and payment on July 1, 2010.

The current refunding of the 2001 A Series, 2001 B Series and 2003 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$235,357, which is being amortized over the remaining life of the original bonds (through July 1, 2023). There was no amortization of this refunding cost for the year ended June 30, 2010.

Upon completion of this refunding, the University did not extend its debt service payments. The original maturity of the 2001 A and 2001 B Series bonds was July 1, 2022, and the original maturity of the 2003 Series bonds was July 1, 2023. The University obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$960,943 on this refunding.

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 were 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, 2010 and 2009 amounted to \$96,235 and \$96,804, 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.

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. During the year ended June 30, 2010, principal of \$12,610,000 and interest of \$753,451 was paid from the escrow account to refund the remaining defeased 1999 Series bonds.

Building Revenue Bonds – Series 2001A And 2001B

The 2001A Series bonds consist of serial bonds due in annual principal payments ranging from \$385,000 to \$650,000, maturing between July 1, 2011 and July 1, 2022 and bear interest at rates ranging from 4.30% 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 \$110,000 to \$190,000, maturing between July 1, 2011 and July 1, 2022 and bear interest at rates ranging from 4.30% to 5.15% payable semi-annually. In addition, term bonds bearing interest at 5.50% in the amount of \$135,000 each are due July 1, 2015 and July 1, 2016.

The 2001A and B Series bonds maturing in the years 2010 and thereafter are subject to optional redemption and payment prior to maturity on July 1, 2010. 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.

As discussed above, the 2001A Series bonds and 2001B Series bonds were currently refunded through the issuance of the 2010 Series bonds.

Building Revenue Bonds – Series 2003

The 2003 Series bonds consist of serial bonds due in annual principal payments ranging from \$335,000 to \$440,000 and mature between July 1, 2011 and July 1, 2019. The 2003 Series bonds bear interest at rates ranging from 3.00% to 3.90% 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, 2010. 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.

As discussed above, the 2003 Series bonds were currently refunded through the issuance of the 2010 Series bonds.

Building Refunding Revenue Bonds – Series 2004

The 2004 Series bonds consist of serial bonds due in annual principal payments ranging from \$685,000 to \$955,000 and mature between July 1, 2011 and July 1, 2019. The 2004 Series bonds bear interest at rates ranging from 3.00% 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.

Refunding Revenue Bonds – Series 2010

The 2010 Series bonds consist of serial bonds due in annual principal payments ranging from \$955,000 to \$1,255,000 and mature between July 1, 2011 and July 1, 2023. The 2010 Series bonds bear interest at rates ranging from 2.00% to 3.70% payable semi-annually.

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding at June 30, 2010, including interest payments, are as follows:

For The Year Ending June 30,	Refunding Revenue Bonds		Total
	Principal	Interest	
2011	\$ 1,640,000	\$ 938,580	\$ 2,578,580
2012	1,680,000	897,895	2,577,895
2013	1,730,000	856,485	2,586,485
2014	1,785,000	812,760	2,597,760
2015	1,820,000	766,420	2,586,420
2016-2020	9,530,000	2,845,600	12,375,600
2021-2025	5,555,000	1,178,880	6,733,880
2026-2029	2,580,000	320,700	2,900,700
	<u>\$ 26,320,000</u>	<u>\$ 8,617,320</u>	<u>\$ 34,937,320</u>

9. Loan Payable

During fiscal 2009, the University received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009. The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The interest rate at June 30, 2010 and 2009 was 0.35% and 1.03%, respectively, and will reset on February 1, 2011. The annual requirements to repay the loan outstanding at June 30, 2010, including interest payments, are as follows:

For The Year Ending June 30,	Loan Payable		Total
	Principal	Interest	
2011	\$ 45,635	\$ 1,291	\$ 46,926
2012	45,635	1,131	46,766
2013	45,635	972	46,607
2014	45,635	812	46,447
2015	45,635	652	46,287
2016-2019	182,539	1,012	183,551
	<u>\$ 410,714</u>	<u>\$ 5,870</u>	<u>\$ 416,584</u>

10. Pension Plan

The University provides retirement benefits for substantially all employees through individual annuities with TIAA-CREF (the Plan). Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employee. The University contributes 10% of an employee's salary once the employee has one year of service at the University or any other institution that previously offered a TIAA-CREF plan. The employee's contribution into the Plan is at the discretion of the employee. Certain employees are required to contribute a fixed percentage to the Plan; the percentage is dependent on the employee's annual salary. The Plan cost to the University for the years ended June 30, 2010 and 2009 was approximately \$3,962,000 and \$3,985,000, respectively.

11. Risk Management

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

Self-Insurance Fund

The University has established a self-insurance fund for health insurance. The health insurance program began in October 2002 for all University employees. The health insurance fund is funded with contributions made during each payroll period from the University, its employees and retirees. The rates are based on past historical costs for individual and family coverage and expected future claims. The plan is administered by a third party, which accumulates claims. During 2010 and 2009, 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, 2010 and 2009 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The changes in health care claims payable for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Claims payable - beginning of year	\$ 458,114	\$ 402,852
Incurred claims	5,448,223	5,926,278
Claim payments	<u>(5,567,578)</u>	<u>(5,871,016)</u>
Claims payable - end of year	<u>\$ 338,759</u>	<u>\$ 458,114</u>

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

12. 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.

13. Washburn University Foundation – Accounting Policies And Disclosures

Basis Of Presentation

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

Investments

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

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

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 fair value 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.

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 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.

Furniture And Equipment

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

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not classified as a private foundation.

The Foundation's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Foundation.

The Foundation files income tax returns in the U.S. federal and various other state jurisdictions. The Foundation is generally no longer subject to federal and state income tax examinations by taxing authorities for years before 2006. There are currently no examinations of the Foundation's income tax returns in progress.

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.

Pledges Receivable

Pledges receivable include the following unconditional promises to give at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Unrestricted	\$ 12,707	\$ 40,025
Temporarily restricted	8,218,493	9,134,686
Permanently restricted	583,444	602,930
Agency	55,385	57,851
	<hr/>	<hr/>
Pledges receivable - end of year	\$ 8,870,029	\$ 9,835,492

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 1,466,336	\$ 1,572,180
Receivable in one to five years	1,863,783	2,688,715
Thereafter	<u>5,539,910</u>	<u>5,574,597</u>
	8,870,029	9,835,492
Less: allowance for uncollectible pledges	126,656	153,369
Less: unamortized discount at 3.2%	<u>3,951,003</u>	<u>4,112,585</u>
Pledges receivable - end of year	<u>\$ 4,792,370</u>	<u>\$ 5,569,538</u>

The Foundation 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.

Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. As of June 30, 2010, total investments were \$115,861,842, of which \$99,135,521 were carried at fair value and \$16,726,321 were carried at cost. As of June 30, 2009, total investments were \$105,178,340, of which \$91,115,421 were carried at fair value and \$14,062,919 were carried at cost.

	<u>2010</u>	<u>2009</u>
Investments carried at fair value:		
Large cap equities	\$ 26,821,156	\$ 25,896,228
Foreign equities	21,913,977	19,048,954
U.S. government securities	11,593,709	10,886,035
Small cap equities	10,069,061	6,357,687
Mid cap equities	9,848,578	9,004,184
Hedge funds	7,324,685	11,266,961
Corporate and foreign bonds	4,046,596	3,375,223
Fixed income securities	2,685,065	2,962,945
Natural resources	1,897,923	—
Real estate	1,671,324	1,575,809
Short-term money market funds	659,669	132,962
Life insurance policies	408,274	414,792
Other	<u>195,504</u>	<u>193,641</u>
Total	<u>\$ 99,135,521</u>	<u>\$ 91,115,421</u>

Fair Value Measurement

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

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

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

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

Publicly-Held Securities

Publicly-held securities that are traded on an active exchange are valued at the quoted market prices based on the last sale price on the measurement date. Quoted market prices in an active market are classified as a Level 1 input in the fair value hierarchy. If an active market does not exist for such publicly-held securities, alternate valuation models using Level 2 or Level 3 inputs may be used to determine fair value.

Hedge Funds

Investments in offshore hedge funds are generally valued at the reported value provided by or on behalf of the investment fund, which valuations are prepared in accordance with such investment fund's governing documents. Management considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. As these investments are generally illiquid in whole or in part, they are generally classified as Level 3.

Because of the inherent uncertainty of valuation of investments in hedge funds, the estimated fair values used for these investments may differ significantly from values that will eventually be realized upon an actual liquidation of the investment, and such differences could be material.

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

	2010			
	Level 1	Level 2	Level 3	Total
Investments	\$ 91,615,332	\$ —	\$ 7,520,189	\$ 99,135,521

	2009			
	Level 1	Level 2	Level 3	Total
Investments	\$ 79,654,819	\$ —	\$ 11,460,602	\$ 91,115,421

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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

	<u>2010</u>	<u>2009</u>
Beginning fair value	\$ 11,460,602	\$ 18,343,497
Net realized gain	428,646	75,664
Purchases and sales, net	(4,924,157)	(4,000,000)
Net change in unrealized (appreciation) depreciation	555,098	(2,958,559)
Ending fair value	<u>\$ 7,520,189</u>	<u>\$ 11,460,602</u>

Hedge funds at June 30, 2010 include \$4,335,867 in a directional fund that may be redeemed annually, with a payout date of December 31; however, any requests for redemption must be made 100 days prior to the redemption date. The remaining balance of hedge funds of \$2,988,818 includes an absolute return fund which the Foundation has requested to be fully redeemed and expects to receive the proceeds by November 2010.

	<u>2010</u>	<u>2009</u>
Investments carried at cost:		
Private equity investments	\$ 12,665,182	\$ 10,377,444
Private real estate investments	4,061,139	3,685,475
Total	<u>\$ 16,726,321</u>	<u>\$ 14,062,919</u>

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies and their estimated fair values have been adversely affected by the economic downturn. Management has evaluated the near-term prospects of the investees and the Foundation's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value; accordingly, the Foundation does not consider these investments to be permanently impaired at June 30, 2010.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The following shows the gross unrealized losses and fair value of the Foundation's private placement investments with unrealized losses that are not deemed to be permanently impaired, aggregated by investment category and length of time that individual investments have been in a continuous unrealized loss position at June 30, 2010:

	<u>1 - 2 Years</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Private equity - Buyout	\$ 4,182,701	\$ (621,739)
Private equity - Venture capital	3,450,578	(242,265)
Private equity - Value added	2,536,789	(1,524,350)

Because of the inherent uncertainty of valuation of these private placement investments, the estimated fair values disclosed above may differ significantly from values that will eventually be realized upon an actual liquidation.

The Foundation has committed a total of \$28,000,000 to the private placement investment funds above. Unfunded commitments were approximately \$9,000,000 at June 30, 2010.

These private placement investments do not provide for withdrawals or redemptions at the initiative of the partners; rather, distributions will be paid as investments are liquidated or from distributable cash as determined by the partnership agreements.

Amounts included in net investment income (loss) for the years ended June 30, 2010 and 2009 were:

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 1,716,664	\$ 1,199,677
Net realized gains	316,257	(1,210,847)
Change in net unrealized gains	6,865,777	(15,678,637)
Investment expense	<u>(255,319)</u>	<u>(260,003)</u>
	<u>\$ 8,643,379</u>	<u>\$ (15,949,810)</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Beneficial Interests In Trusts

The following is a summary of beneficial interests in trusts by fair value hierarchy level:

	2010			Total
	Level 1	Level 2	Level 3	
Perpetual trusts	\$ 4,274,502	\$ —	\$ —	\$ 4,274,502
Charitable remainder trusts	232,147	—	667,116	899,263
Charitable lead trust	3,724,504	—	—	3,724,504
	<u>\$ 8,231,153</u>	<u>\$ —</u>	<u>\$ 667,116</u>	<u>\$ 8,898,269</u>

	2009			Total
	Level 1	Level 2	Level 3	
Perpetual trusts	\$ 4,025,210	\$ —	\$ —	\$ 4,025,210
Charitable remainder trusts	1,551,531	—	693,893	2,245,424
	<u>\$ 5,576,741</u>	<u>\$ —</u>	<u>\$ 693,893</u>	<u>\$ 6,270,634</u>

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

	2010	2009
Beginning fair value	\$ 693,893	\$ 534,586
Change in value in beneficial interest	<u>(26,777)</u>	<u>159,307</u>
Ending fair value	<u>\$ 667,116</u>	<u>\$ 693,893</u>

The beneficial interest in perpetual trusts represents trust arrangements in which the Foundation does not exercise control over the trust assets; however, the Foundation does receive specified distributions over the term of the trust. The Foundation'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 value of these trusts.

On July 22, 2009, a donor established a trust naming the Foundation as the lead beneficiary of a charitable lead annuity trust. Under the terms of the agreement, the Foundation is to receive \$82,777 quarterly for 15 years. Based on donor life expectancy and the use of a 3.4% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be about \$3,900,000, which was reported in 2010 as a permanently-restricted contribution and a beneficial interest in trust. The Foundation's interest in the trust at June 30, 2010 is recorded using the income approach based on calculating the present value of the annuity using published life expectancy tables and a 3.2% discount rate.

A discount rate of 3.2% 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 Foundation 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.

The Association has also recorded liabilities associated with the charitable remainder trusts discussed above.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Net Assets And Agency Funds

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

	2010					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 31,334,314	\$ 14,016,128	\$ —	\$ 45,350,442	\$ 22,683,296	\$ 68,033,738
Student support	686,008	311,633	—	997,641	192,275	1,189,916
Program support	9,113,189	6,863,190	—	15,976,379	2,967,561	18,943,940
Faculty support	3,290,509	1,357,317	—	4,647,826	280,955	4,928,781
Professorship/Chairs	4,977,653	1,372,821	—	6,350,474	4,312,706	10,663,180
Capital	1,465,730	2,514,919	—	3,980,649	60,456	4,041,105
Area of greatest need	4,701,735	7,854,672	4,699,201	17,255,608	6,426,588	23,682,196
	<u>\$ 55,569,138</u>	<u>\$ 34,290,680</u>	<u>\$ 4,699,201</u>	<u>\$ 94,559,019</u>	<u>\$ 36,923,837</u>	<u>\$ 131,482,856</u>

	2009					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 28,915,386	\$ 12,831,762	\$ —	\$ 41,747,148	\$ 21,546,187	\$ 63,293,335
Student support	715,119	271,083	—	986,202	135,414	1,121,616
Program support	5,313,620	5,044,663	—	10,358,283	2,843,272	13,201,555
Faculty support	3,111,131	1,243,428	—	4,354,559	247,492	4,602,051
Professorship/Chairs	4,565,415	1,444,266	—	6,009,681	4,017,348	10,027,029
Capital	1,434,903	3,699,028	—	5,133,931	49,782	5,183,713
Area of greatest need	4,653,710	8,448,870	1,180,581	14,283,161	6,081,164	20,364,325
	<u>\$ 48,709,284</u>	<u>\$ 32,983,100</u>	<u>\$ 1,180,581</u>	<u>\$ 82,872,965</u>	<u>\$ 34,920,659</u>	<u>\$ 117,793,624</u>

Endowment Funds

The Foundation's endowment consists of approximately 500 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds that the Foundation must hold in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

Effective July 1, 2008, the State of Kansas enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority for the management and investment of charitable funds. The Foundation also implemented FASB Staff Position 117-1, *Endowments of Not-for-Profit Organization – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, (FSP 117-1), which was effective for fiscal years ending after December 15, 2008. FSP 117-1 requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets be classified as temporarily restricted net assets until appropriated for expenditure.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation has, therefore, made a reclassification of net assets from unrestricted to temporarily restricted in the amount of \$6,768,366 in the Statement of Activities for the year ended June 30, 2009. The amount reclassified represents the balance of previously reported unrestricted net assets at July 1, 2008 related to donor-restricted endowments. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the Foundation feels that distributions to be made in the future are as important as distributions made today. This is consistent with the philosophy that the Foundation is to exist in perpetuity, and therefore, should provide for distributions in perpetuity. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately nine percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution an amount which normally makes available each year 5% of the twenty-one quarter moving average of the market value of the endowment pool. These computations are completed quarterly and commence with the September quarter-end prior to the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's primary objective of providing Washburn University with stable and predictable support for students and programs. To attain this goal, the Foundation seeks to grow the aggregate portfolio funds in perpetuity through investment earnings and growth through new gifts.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$7,608,035 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. These deficiencies as of June 30, 2009 totaled \$8,643,264.

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

Endowment net asset composition by type of fund:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (7,552,297)	\$ 17,015,103	\$ 47,030,744	\$ 56,493,550

Changes in endowment net assets for the year ended June 30, 2010:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (8,610,043)	\$ 15,257,406	\$ 44,132,158	\$ 50,779,521
Investment return:				
Investment income	24,025	894,680	139,969	1,058,674
Net appreciation (depreciation)	1,035,823	2,868,591	(51,926)	3,852,488
Total investment return	1,059,848	3,763,271	88,043	4,911,162
Contributions	—	—	2,810,543	2,810,543
Appropriation of endowment assets for expenditure	(445,827)	(1,561,849)	—	(2,007,676)
Other changes:				
Release from time restriction	443,725	(443,725)	—	—
Endowment net assets, end of year	\$ (7,552,297)	\$ 17,015,103	\$ 47,030,744	\$ 56,493,550

Endowment net asset composition by type of fund:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (8,610,043)	\$ 15,257,406	\$ 44,132,158	\$ 50,779,521

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Changes in endowment net assets for the year ended June 30, 2009:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,471,774	\$ 16,564,396	\$ 40,728,494	\$ 62,764,664
Reclassification of net assets due to change in law	(6,768,366)	6,768,366	—	—
Investment return:				
Investment income	15,452	651,372	76,716	743,540
Net depreciation	(7,280,025)	(6,570,218)	(6,348)	(13,856,591)
Total investment return	(7,264,573)	(5,918,846)	70,368	(13,113,051)
Contributions	—	—	3,240,443	3,240,443
Appropriation of endowment assets for expenditure	(324,642)	(1,787,893)	—	(2,112,535)
Other changes:				
Release from time restriction	275,783	(275,783)	—	—
Classification adjustments on prior year gifts	(19)	(92,834)	92,853	—
Endowment net assets, end of year	\$ (8,610,043)	\$ 15,257,406	\$ 44,132,158	\$ 50,779,521

Pension Plan

The Foundation 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 Foundation and were \$164,407 and \$174,411 for the years ended June 30, 2010 and 2009, respectively.

Related Party

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

As of June 30, 2010 and 2009, the Foundation owes the University \$287,531 and \$270,176 for amounts related to outstanding billings on private gift funds and reimbursement of operating expenses.

During 2010 and 2009, the Foundation provided direct support in the amount of \$6,654,379 and \$5,594,846 and made distributions from agency accounts as reflected below.

The University provides free use of certain facilities and services to the Foundation. The Foundation recorded in-kind contribution revenue and expense in the amount of \$345,000 for 2010 and 2009.

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

	<u>2010</u>	<u>2009</u>
Fair market value of agency accounts - beginning of year	\$ 34,920,659	\$ 46,876,734
Contributions	609,439	599,383
Non-gift income and transfers	139,583	(883)
Net investment income (loss)	4,377,201	(9,520,456)
Distributions	(2,067,434)	(1,869,048)
Expense allocation for administration	(1,055,611)	(1,165,071)
	<hr/>	<hr/>
Fair market value of agency accounts - end of year	\$ 36,923,837	\$ 34,920,659

Subsequent Events

The Foundation evaluated events and transactions occurring subsequent to June 30, 2010 through September 20, 2010, the date the financial statements were available to be issued.

14. Washburn Law School Foundation – Accounting Policies And Disclosures

Basis Of Presentation

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

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 Law 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 Law Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Law Foundation is not classified as a private foundation. The Law Foundation's present accounting policy for the evaluation of uncertain tax positions is the same as the Foundation (Note 13).

Investments Held At Washburn University Foundation

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The pooled funds consist of money market funds, government securities, domestic and foreign equity securities, domestic and foreign fixed income securities, hedge funds and private placement equity investments. Investment securities are exposed to various risks such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

Investments (excluding private placement equity investments) are included in the financial statements at fair value based upon quoted market prices or at estimated fair value as reported by fund managers. Private placement equity securities are recorded at cost. Income received from pooled assets of the Foundation'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 Foundation'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 fair 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 on investments for the years ended June 30, 2010 and 2009 were:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 148,159	\$ 101,582
Net realized gains	32,966	(136,608)
Net unrealized gains (losses)	713,171	(1,957,231)
	<u>\$ 894,296</u>	<u>\$ (1,992,257)</u>

General and administrative expense includes \$242,059 and \$267,999 paid to the Foundation for expenses related to the administration of the funds for the years ended June 30, 2010 and 2009, respectively.

Since the Law Foundation's investments are held and invested as part of the Foundation's pooled investments, the required investment footnote information for the Law Foundation is already properly included as part of the investment disclosures in Note 13 for the Foundation.

Net Assets

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

Permanently restricted net assets consist of endowment funds.

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2010

Page 1 Of 3

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Amount</u>
Student Financial Aid Cluster			
Washburn University			
Federal Direct Student Loans	U.S. Department of Education	84.268	\$ 46,687,024
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education	84.007	265,875
Federal Work-Study Program - base	U.S. Department of Education	84.033	266,923
Federal Work-Study Program - ARRA	U.S. Department of Education	84.033	75,233
Federal Perkins Loan Program	U.S. Department of Education	84.038	1,126,752
Federal Pell Grant Program	U.S. Department of Education	84.063	8,086,126
Academic Competitiveness Grants	U.S. Department of Education	84.375	94,382
National Science & Mathematics Access to Retain Talent (SMART) Grants	U.S. Department of Education	84.376	67,500
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education	84.379	24,000
Washburn Institute of Technology			
Federal Direct Student Loans	U.S. Department of Education	84.268	1,186,975
Federal Work-Study Program	U.S. Department of Education	84.033	12,024
Federal Pell Grant Program	U.S. Department of Education	84.063	730,423
Total Student Financial Aid Cluster			<u>58,623,237</u>
Research And Development Cluster			
Kansas Biomedical Research Infrastructure Network Project - base	U.S. Department of Health and Human Services / University of Kansas Medical Center	93.389	67,411
Kansas Biomedical Research Infrastructure Network Project - ARRA	U.S. Department of Health and Human Services / University of Kansas Medical Center	93.389	10,705
Kansas Biomedical Research New Faculty Recruitment	U.S. Department of Health and Human Services / University of Kansas Medical Center	93.389	39,595
Total Research And Development Cluster			<u>117,711</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2010

Page 2 Of 3

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Amount</u>
Other			
Washburn University			
State Fiscal Stabilization Fund - ARRA General fund	U.S. Department of Education/ Kansas Board of Regents	84.394	\$ 622,555
State Fiscal Stabilization Fund - ARRA Capital projects	U.S. Department of Education/ Kansas Board of Regents	84.394	149,413
Perkins III Program Improvement	U.S. Department of Education/ Kansas Board of Regents	84.048	131,403
Early Reading First	U.S. Department of Education/ Topeka Public Schools USD 501	84.359B	34,406
Trans-Atlantic Double Degree in Nursing	U.S. Department of Education	84.116J	57,090
Ready to Learn	U.S. Department of Education/ Corporation for Public Broadcasting	84.295	39,510
Ready to Learn	U.S. Department of Education/ Kansas Department of Social and Rehabilitation Services	84.295	50,704
PBS TeacherLine	U.S. Department of Education/ Public Broadcasting Service	84.286A	3,277
Sexual Violence Surveillance	Centers for Disease Control/ Kansas Department of Health and Environment	93.136	738
Small Business Development Center	Small Business Administration/ Fort Hays State University	59.037	69,800
CBR Networking Initiative	Corporation for National Service/ Princeton University	94.005	1,499
CBR Policy Options	Corporation for National Service/ Princeton University	94.005	1,139
KTWU Digital Conversion	USDA Rural Development	10.861	54,122
Victims with Disabilities National Conference	U.S. Department of Justice/ Office of Victims Assistance	16.582	340,461
AmeriCorps *VISTA Project Support - base	Corporation for National Service	94.013	41,120
AmeriCorps *VISTA Project Support - ARRA	Corporation for National Service	94.013	18,169

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2010

Page 3 Of 3

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Amount</u>
Astrophysical Ionizing Photon Events Primary Productivity of Earth's Oceans	NASA	43.xxx	\$ 123,019
ILDLP Curriculum Resource Center	Office of Library Services/ Kansas State Library	45.310	8
Washburn Institute of Technology			
State Fiscal Stabilization Fund - ARRA Capital projects	U.S. Department of Education/ Kansas Board of Regents	84.394	165,819
Perkins III Program Improvement and Perkins Reserve Fund	U.S. Department of Education/ Kansas Board of Regents	84.048	128,307
Perkins Reserve Fund	U.S. Department of Education/ Kansas Board of Regents	84.048	44,785
Perkins NTO Mini Grant	U.S. Department of Education/ Kansas Board of Regents	84.048	<u>2,720</u>
Total Other			<u>2,080,064</u>
Total			<u>\$ 60,821,012</u>

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2010

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

<u>Program</u>	<u>Subrecipient</u>	<u>CFDA Number</u>	<u>Amount</u>
Astrophysical Ionizing Photon Events & Primary Productivity on Earth's Oceans	Kansas University	43.xxx	\$ 24,372
Astrophysical Ionizing Photon Events & Primary Productivity on Earth's Oceans	Smithsonian Institute	43.xxx	56,922

**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, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated December 23, 2010, 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 University Foundation and Washburn Law School Foundation, which comprise the financial statements of the discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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 December 23, 2010.

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.

RubinBrown LLP

Overland Park, Kansas
December 23, 2010

**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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

RubinBrown LLP

Overland Park, Kansas
December 23, 2010

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For The Year Ended June 30, 2010

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

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Direct Student Loans	84.268
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Academic Competitiveness Grants	84.375
National Science & Mathematics Access to Retain Talent (SMART)	84.376
Teacher Education Assistance for College and Higher Education (TEACH)	84.379
Perkins III Program Improvement	84.048
State Fiscal Stabilization Fund – ARRA	84.394
Crime Victim Assistance/Discretionary Grant	16.582

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

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

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2010

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Finding 2010-1

Federal Award No. 16.582

Crime Victim Assistance/Discretionary Grant – Responding to Crime Victims with Disabilities National Conference

Criteria: According to Circular A-110, records that pertain to federal awards should be retained for three years from the date of the final report submission.

Condition: Applications were disposed of after the conference was held and not retained for the required period of time according to A-110.

Effect: Out of 30 applicants selected for testing, 7 of the applicant files were not able to be tested for eligibility since they were disposed of once the program had ended. It was later determined that 19 of the 93 total applicant files were disposed of once the program ended.

Questioned Costs: Additional procedures were performed to obtain appropriate evidence that the funds were used for qualified applicants.

Cause: The University does not have an official record retention policy that specifically addresses the requirements of federal programs under Circular A-110.

Recommendation: We recommend that the University draft and approve a record retention policy that specifically addresses the requirements of federal programs under Circular A-110.

Corrective Action Plan: The University will develop a record retention policy addressing the requirements of Circular A-110.

Completion Date: June 30, 2011

Contact Person and Title: Jeannette Luedke, Grant Accountant

WASHBURN UNIVERSITY OF TOPEKA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2010

None



RubinBrown LLP
Certified Public Accountants
& Business Consultants

10975 Grandview Drive
Suite 600
Overland Park, KS 66210

T 913.491.4144
F 913.491.6821

W rubinbrown.com
E info@rubinbrown.com

Independent Accountants' Report On Supplementary Information

Our audits were made for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The nature of our audit procedures is more fully described in our report on the basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audits of the basic financial statements, accordingly, we express no opinion on it.

RubinBrown LLP

Overland Park, Kansas
December 23, 2010

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 1 - REVENUES, EXPENDITURES AND COMPARISON WITH
BUDGET****General Fund****For The Year Ended June 30, 2010**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 39,551,553	\$ 39,785,008	\$ 233,455
Income from endowment fund	784,544	830,429	45,885
Sales tax and other taxes	18,150,719	18,054,702	(96,017)
State aid	11,307,796	11,058,258	(249,538)
Other income	4,253,708	3,753,172	(500,536)
Use of reserves	2,120,000	—	(2,120,000)
Transfer from smoothing fund	550,000	96,017	(453,983)
Auxiliary enterprises	6,768,798	6,630,234	(138,564)
Total Revenues	<u>83,487,118</u>	<u>80,207,820</u>	<u>(3,279,298)</u>
Expenditures			
Instruction	36,290,514	33,279,289	(3,011,225)
Public service, academic support and research	13,733,279	13,067,974	(665,305)
Student services	7,888,870	7,337,418	(551,452)
Institutional support	6,641,554	5,980,404	(661,150)
Maintenance of plant	6,728,134	6,827,680	99,546
Scholarships and fellowships	2,507,408	2,476,580	(30,828)
Other expenses and transfers	2,091,828	2,242,418	150,590
Contingency	3,000,000	—	(3,000,000)
Auxiliary enterprises	7,386,798	6,245,007	(1,141,791)
Total Expenditures	<u>86,268,385</u>	<u>77,456,770</u>	<u>\$ (8,811,615)</u>
Increase (Decrease) In Fund Balance	<u>\$ (2,781,267)</u>	2,751,050	
Fund Balance - Beginning Of Year		<u>10,810,716</u>	
Fund Balance - End Of Year		<u>\$ 13,561,766</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Debt Retirement And Construction Fund
For The Year Ended June 30, 2010**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,665,883	\$ 3,493,512	\$ (172,371)
Fees for parking improvements	25,038	25,038	—
Investment income	150,000	13,302	(136,698)
Transfer from other funds - debt service	2,130,500	2,130,500	—
Total Revenues	<u>5,971,421</u>	<u>5,662,352</u>	<u>(309,069)</u>
Expenditures			
Bond principal	1,470,000	1,470,000	—
Interest and commissions on bonds	1,201,940	1,201,940	—
Transfers for construction, repairs or equipping of new or existing buildings	2,725,038	3,036,499	311,461
State deferred maintenance loan repayment	425,625	425,625	—
Other	25	7,454	7,429
Contingency	600,000	—	(600,000)
Total Expenditures	<u>6,422,628</u>	<u>6,141,518</u>	<u>\$ (281,110)</u>
Decrease In Fund Balance	<u>\$ (451,207)</u>	(479,166)	
Fund Balance - Beginning Of Year		<u>691,619</u>	
Fund Balance - End Of Year		<u>\$ 212,453</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Employee Benefits Contribution Fund
For The Year Ended June 30, 2010**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 5,000	\$ —	\$ (5,000)
Expenditures			
Payment to the general fund	5,000	—	\$ (5,000)
Increase (Decrease) In Fund Balance	<u>\$ —</u>	—	
Fund Balance - Beginning Of Year		—	
Fund Balance - End Of Year		<u>\$ —</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 4 - REVENUES, EXPENDITURES AND COMPARISON WITH
BUDGET**

**Tort Claim Liability Fund
For The Year Ended June 30, 2010**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 359,339	\$ 341,536	\$ (17,803)
Investment income	10,000	176	(9,824)
Total Revenues	<u>369,339</u>	<u>341,712</u>	<u>(27,627)</u>
Expenditures			
Insurance premium	320,350	234,927	(85,423)
Litigation expense	500,000	6,304	(493,696)
Miscellaneous expense	70,000	10,426	(59,574)
Contingency	350,000	—	(350,000)
Total Expenditures	<u>1,240,350</u>	<u>251,657</u>	<u>\$ (988,693)</u>
Increase (Decrease) In Fund Balance	<u>\$ (871,011)</u>	90,055	
Fund Balance - Beginning Of Year		<u>1,013,023</u>	
Fund Balance - End Of Year		<u>\$ 1,103,078</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Sales Tax Smoothing Fund
For The Year Ended June 30, 2010**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ 350,000	\$ —	\$ (350,000)
Expenditures			
Transfer to building construction fund	—	—	—
Transfer to general fund	500,000	96,017	—
Contingency	737,755	—	(737,755)
Total Expenditures	<u>1,237,755</u>	<u>96,017</u>	<u>\$ (1,141,738)</u>
Decrease In Fund Balance	<u>\$ (887,755)</u>	(96,017)	
Fund Balance - Beginning Of Year		<u>2,026,023</u>	
Fund Balance - End Of Year		<u>\$ 1,930,006</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Capital Improvement Fund
For The Year Ended June 30, 2010**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ —
Interest income	9,500	—	(9,500)
Transfer from building construction fund	—	108,000	108,000
Transfer from general fund	150,000	—	(150,000)
Total Revenues	<u>1,049,500</u>	<u>998,000</u>	<u>(51,500)</u>
Expenditures			
Capital expenses	275,000	164,912	(110,088)
Non-mandatory transfers	890,000	890,000	—
Contingency	100,000	—	(100,000)
Total Expenditures	<u>1,265,000</u>	<u>1,054,912</u>	<u>\$ (210,088)</u>
Decrease In Fund Balance	<u>\$ (215,500)</u>	(56,912)	
Fund Balance - Beginning Of Year		<u>332,129</u>	
Fund Balance - End Of Year		<u>\$ 275,217</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 7 - REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET

Washburn Institute Of Technology For The Year Ended June 30, 2010

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 952,000	\$ 1,562,767	\$ 610,767
Tuition - participating districts	1,990,826	2,005,366	14,540
Vocational state aid	2,397,202	2,342,553	(54,649)
Vocational capital outlay	135,242	135,166	(76)
Vocational aid - Perkins	175,000	150,137	(24,863)
Gifts and grants	—	743,243	743,243
Capital gifts and grants	—	423,883	423,883
Interest on investments	75,000	36,858	(38,142)
Special project aid	25,000	—	(25,000)
Other sales and services	373,145	483,192	110,047
Use of reserves	1,500,000	—	(1,500,000)
Total Revenues	7,623,415	7,883,165	259,750
Expenditures			
Instruction	3,817,188	3,384,022	(433,166)
Academic support	367,768	391,536	23,768
Student services	654,833	743,204	88,371
Institutional support	188,761	349,198	160,437
Maintenance of plant	1,669,865	895,242	(774,623)
Scholarships and fellowships	—	796,876	796,876
Perkins federal program	175,000	148,151	(26,849)
Other expenses and transfers	750,000	2,370	(747,630)
Contingency	800,000	—	(800,000)
Total Expenditures	8,423,415	6,710,599	\$ (1,712,816)
Increase (Decrease) In Fund Balance	\$ (800,000)	1,172,566	
Fund Balance - Beginning Of Year		4,224,204	
Fund Balance - End Of Year		\$ 5,396,770	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES - 2001 A & B BOND ISSUE

For The Year Ended June 30, 2010 And Since Project Inception

	For The Year Ended June 30, 2010	Project Inception To June 30, 2010
Revenues And Other Additions		
2001 bond proceeds	\$ —	\$ 11,200,000
Accrued bond interest at issuance date	—	36,607
Original premium on bonds	—	64,950
1999 bond proceeds allocated to LLC Phase II	—	861,903
Transfers for debt service	408,278	3,697,692
Transfer from smoothing fund	—	2,500,000
Transfer from other capital projects	24,500	654,500
Private contributions	32,259	3,128,773
Total Revenues And Other Additions	465,037	22,144,425
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	—	4,837,801
Student fitness center	14,882	5,468,342
Transfer to Series 2010 Bonds	894,541	894,541
Interest expense paid	408,278	3,999,896
Total Expenditures And Other Deductions	1,317,701	22,144,425
Cash Receipts Over (Under) Expenditures	(852,664)	\$ —
Cash And Investments - Beginning Of Year	852,664	
Cash And Investments - End Of Year	\$ —	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 9 - CASH RECEIPTS AND EXPENDITURES – 2003 BOND ISSUE For The Year Ended June 30, 2010 And Since Project Inception

	For The Year Ended June 30, 2010	Project Inception To June 30, 2010
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 7,500,000
Transfer for debt service	210,500	1,694,970
Accrued bond interest at issuance date	—	7,829
Total Revenues And Other Additions	<u>210,500</u>	<u>9,202,799</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	10,000	7,124,113
Transfer to Series 2010 Bonds	132,445	132,445
Interest expense paid	210,500	1,682,542
Total Expenditures And Other Deductions	<u>352,945</u>	<u>9,202,799</u>
Cash Receipts Over (Under) Expenditures	(142,445)	<u><u>\$ —</u></u>
Cash And Investments - Beginning Of Year	<u>142,445</u>	
Cash And Investments - End Of Year	<u><u>\$ —</u></u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 10 - CASH RECEIPTS AND EXPENDITURES – 2004 BOND ISSUE For The Year Ended June 30, 2010 And Since Project Inception

	For The Year Ended June 30, 2010	Project Inception To June 30, 2010
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 14,250,000
Transfer for debt service	583,163	3,396,030
Original issue premium on bonds	—	294,915
Total Revenues And Other Additions	<u>583,163</u>	<u>17,940,945</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	583,163	3,396,030
Total Expenditures And Other Deductions	<u>583,163</u>	<u>17,938,714</u>
Cash Receipts Over (Under) 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 11 - CASH RECEIPTS AND EXPENDITURES – 2010 BOND ISSUE For The Year Ended June 30, 2010 And Since Project Inception

	For The Year Ended June 30, 2010	Project Inception To June 30, 2010
Revenues And Other Additions		
Bond proceeds	\$ 13,500,000	\$ 13,500,000
Original issue premium on bonds	16,170	16,170
Total Revenues And Other Additions	<u>13,516,170</u>	<u>13,516,170</u>
Expenditures And Other Deductions		
Bond issuance costs	202,380	202,380
Bond insurance	95,210	95,210
Amount paid to refund Series 2001A, 2001B and 2003 bonds	13,210,000	13,210,000
Total Expenditures And Other Deductions	<u>13,507,590</u>	<u>13,507,590</u>
Cash Receipts Over (Under) Expenditures	8,580	<u>\$ 8,580</u>
Cash And Investments - Beginning Of Year	<u>—</u>	
Cash And Investments - End Of Year	<u>\$ 8,580</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 12 - OPERATIONS OF THE LIVING LEARNING CENTER For The Year Ended June 30, 2010

Revenues

Room rental	\$ 1,285,193
Less: vacancy loss	(136,090)
Net income from room rental	<u>1,149,103</u>
Receipts from coin machines, forfeited initial pay, guests, etc.	108,634
Reimbursement - employee benefits	<u>13,143</u>
Total Revenues	<u>1,270,880</u>

Expenditures

Salaries, director and resident assistants	79,975
Salaries, custodial	105,723
Benefits	13,143
Scholarships	46,336
Insurance	11,918
Utilities, telephone and cable	290,496
Repairs and operating supplies	28,283
Laundry	1,325
Contracted services	<u>8,890</u>
Total Expenditures	<u>586,089</u>

Net Operating Income	684,791
Debt Service - Transfer To Capital Improvement Fund	<u>(500,000)</u>
Excess Of Cash Receipts Over Expenditures	<u>\$ 184,791</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 13 - BLENDING STATEMENT OF NET ASSETS

June 30, 2010

Page 1 Of 2

	Assets		
	Washburn University	Washburn Tech	Blended
Current Assets			
Cash and cash equivalents	\$ 21,709,068	\$ 3,864,261	\$ 25,573,329
Short-term equivalents	4,046,000	—	4,046,000
Taxes receivable	3,580,034	—	3,580,034
Accounts receivable, net of allowance	3,593,463	202,838	3,796,301
Receivable from Kansas Board of Regents	761,375	—	761,375
Receivable from Washburn University Foundation	287,561	6,256	293,817
Other current receivables	300,000	—	300,000
Inventories	974,201	—	974,201
Other assets	1,070,423	457,889	1,528,312
Total Current Assets	36,322,125	4,531,244	40,853,369
Noncurrent Assets			
Perkins loans receivable	1,093,293	—	1,093,293
Receivable from WEA	29,201,741	—	29,201,741
Equity in the net assets of WEA	12,280,317	—	12,280,317
Endowment investments	302,480	—	302,480
Bond issuance costs, net of accumulated amortization	556,681	—	556,681
Capital assets, net	90,130,974	1,194,091	91,325,065
Total Noncurrent Assets	133,565,486	1,194,091	134,759,577
Total Assets	\$ 169,887,611	\$ 5,725,335	\$ 175,612,946

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 13 - BLENDING STATEMENT OF NET ASSETS

June 30, 2010

Page 2 Of 2

Liabilities And Net Assets

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 6,094,994	\$ 294,168	\$ 6,389,162
Accrued compensated absences, current portion	1,372,903	82,399	1,455,302
Accrued postemployment benefits, current portion	288,754	—	288,754
Deferred revenue	1,597,387	(100)	1,597,287
Loan with Kansas Board of Regents, current portion	425,625	—	425,625
Loan payable, current portion	45,635	—	45,635
Building revenue bonds, current portion	1,640,000	—	1,640,000
Deposits held in custody for others	240,427	—	240,427
Total Current Liabilities	<u>11,705,725</u>	<u>376,467</u>	<u>12,082,192</u>
Non-current Liabilities			
Accrued compensated absences	103,846	2,401	106,247
Accrued postemployment benefits	192,311	157,305	349,616
Loan payable	365,079	—	365,079
Loan with Kansas Board of Regents	2,128,125	—	2,128,125
Building revenue bonds	23,704,711	—	23,704,711
Total Non-current Liabilities	<u>26,494,072</u>	<u>159,706</u>	<u>26,653,778</u>
Total Liabilities	<u>38,199,797</u>	<u>536,173</u>	<u>38,735,970</u>
Net Assets			
Invested in capital assets, net of related debt	62,993,887	1,150,324	64,144,211
Restricted			
Nonexpendable			
Endowments	26,109,866	—	26,109,866
Expendable			
Scholarships	13,626,576	122,124	13,748,700
Loans	1,466,135	—	1,466,135
Self-insurance	1,532,107	—	1,532,107
Capital projects	4,996,020	1,492,887	6,488,907
Debt service	1,555,263	—	1,555,263
Other	2,620,970	34,236	2,655,206
Unrestricted	16,786,990	2,389,591	19,176,581
Total Net Assets	<u>131,687,814</u>	<u>5,189,162</u>	<u>136,876,976</u>
Total Liabilities And Net Assets	<u>\$ 169,887,611</u>	<u>\$ 5,725,335</u>	<u>\$ 175,612,946</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 14 - BLENDING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2010

Page 1 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Operating Revenues			
Tuition and fees	\$ 27,131,858	\$ 3,568,133	\$ 30,699,991
Federal grants and contracts	811,477	—	811,477
State and local grants and contracts	—	—	—
Sales and services of educational departments	928,931	482,544	1,411,475
Auxiliary enterprises			
Residential Living	2,123,970	—	2,123,970
Memorial Union	4,153,153	—	4,153,153
Other operating revenues	330,198	—	330,198
Total Operating Revenues	<u>35,479,587</u>	<u>4,050,677</u>	<u>39,530,264</u>
Operating Expenses			
Educational and general			
Instruction	32,992,231	3,516,236	36,508,467
Research	194,369	—	194,369
Public service	3,995,675	—	3,995,675
Academic support	10,104,653	399,358	10,504,011
Student services	7,712,898	751,319	8,464,217
Institutional support	6,636,683	349,198	6,985,881
Operatings and maintenance of plant	6,211,983	878,436	7,090,419
Depreciation	7,384,688	139,865	7,524,553
Financial aid	1,587,802	796,876	2,384,678
Auxiliary enterprises			
Residential Living	1,134,564	—	1,134,564
Memorial Union	4,001,544	—	4,001,544
Self-insurance claims, net of premiums	3,901,417	—	3,901,417
Other expenditures	—	2,370	2,370
Total Operating Expenses	<u>85,858,507</u>	<u>6,833,658</u>	<u>92,692,165</u>
Operating Income (Loss)	<u>(50,378,920)</u>	<u>(2,782,981)</u>	<u>(53,161,901)</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 14 - BLENDING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2010

Page 2 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Nonoperating Revenues (Expenses)			
State appropriations	\$ 11,315,959	\$ 2,477,719	\$ 13,793,678
Local appropriations	22,779,750	—	22,779,750
Federal grants and contracts	11,237,902	918,560	12,156,462
State and local grants and contracts	334,773	—	334,773
Nongovernmental grants and contracts	36,002	—	36,002
Gifts	2,708,862	5,886	2,714,748
Investments income	7,244,565	30,972	7,275,537
Interest on indebtedness	(1,317,950)	—	(1,317,950)
Other nonoperating expenses	(170,847)	648	(170,199)
Total Nonoperating Revenues (Expenses)	<u>54,169,016</u>	<u>3,433,785</u>	<u>57,602,801</u>
Loss Before Other Revenues	3,790,096	650,804	4,440,900
Capital Grants - Federal	—	133,725	133,725
Capital Grants And Gifts - Non-Federal	1,431,842	264,978	1,696,820
Additions To Permanent Endowments	<u>112,263</u>	<u>—</u>	<u>112,263</u>
Change In Net Assets	5,334,201	1,049,507	6,383,708
Net Assets - Beginning Of Year	<u>126,353,613</u>	<u>4,139,655</u>	<u>130,493,268</u>
Net Assets - End Of Year	<u>\$ 131,687,814</u>	<u>\$ 5,189,162</u>	<u>\$ 136,876,976</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 15 - BLENDING STATEMENT OF CASH FLOWS For The Year Ended June 30, 2010

	Washburn University	Washburn Tech	Blended
Cash Flows From Operating Activities			
Tuition and fees	\$ 28,192,742	\$ 3,542,976	\$ 31,735,718
Grants and contracts	896,687	—	896,687
Auxiliary enterprise charges			
Residential Living	2,173,271	—	2,173,271
Memorial Union	3,968,146	—	3,968,146
Sales and services of educational departments	927,466	490,151	1,417,617
Collections of loans issued to students	179,253	—	179,253
Other receipts	355,471	—	355,471
Self-insurance premiums	930,264	—	930,264
Payments to suppliers	(11,967,093)	(1,124,310)	(13,091,403)
Payments to employees	(58,248,658)	(4,632,938)	(62,881,596)
Payments for scholarships and fellowships	(1,587,800)	(796,876)	(2,384,676)
Interfund transactions	730,181	(730,181)	—
Loans issued to students	(5,325)	400	(4,925)
Payments for self-insurance claims and administrative fees	(6,430,592)	—	(6,430,592)
Net Cash Used In Operating Activities	(39,885,987)	(3,250,778)	(43,136,765)
Cash Flows From Investing Activities			
Proceeds from sales and maturities of investments	10,000,000	—	10,000,000
Interest on investments	4,779,670	30,972	4,810,642
Purchase of investments	(4,000,000)	—	(4,000,000)
Net Cash Provided By Investing Activities	10,779,670	30,972	10,810,642
Cash Flows From Noncapital Financing Activities			
State appropriations	11,315,959	2,477,719	13,793,678
Local appropriations	22,753,818	—	22,753,818
Gifts and grants for other than capital purposes	14,549,642	768,723	15,318,365
Cash received from Topeka Public Schools	—	61,306	61,306
Federal Family Education loan receipts	50,221,161	1,113,660	51,334,821
Federal Family Education loan disbursements	(50,238,350)	(1,186,975)	(51,425,325)
Agency account transactions	673	—	673
Net Cash Provided By Noncapital Financing Activities	48,602,903	3,234,433	51,837,336
Cash Flows From Capital And Related Financing Activities			
Proceeds from issuance of debt	86,085	—	86,085
Issue costs paid on debt	(76,005)	—	(76,005)
Proceeds from capital loans	2,332,509	—	2,332,509
Capital grants and gifts received	2,121,554	315,884	2,437,438
Purchase of capital assets	(8,568,543)	(723,660)	(9,292,203)
Principal paid on capital loans	(471,260)	—	(471,260)
Principal paid on long-term debt	(1,470,000)	—	(1,470,000)
Interest paid on long-term debt	(1,201,940)	—	(1,201,940)
Net Cash Used In Capital And Related Financing Activities	(7,247,600)	(407,776)	(7,655,376)
Increase In Cash And Cash Equivalents	12,248,986	(393,149)	11,855,837
Cash And Cash Equivalents - Beginning Of Year	9,460,083	4,257,409	13,717,492
Cash And Cash Equivalents - End Of Year	\$ 21,709,069	\$ 3,864,260	\$ 25,573,329