
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
WASHBURN UNIVERSITY OF TOPEKA
FINANCIAL STATEMENTS
JUNE 30, 2010

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Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

We have audited the accompanying financial statements of KTWU Television (KTWU), a Public Telecommunications Entity Operated by Washburn University of Topeka (the University) 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. The financial statements of KTWU as of June 30, 2009 were audited by other auditors whose report dated November 23, 2009, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of KTWU are intended to present the financial position and the changes in the financial position and cash flows of only that portion of the business-type activities of Washburn University of Topeka that is attributable to the transactions of KTWU. They do not purport to, and do not, present fairly the financial position of Washburn University of Topeka as of June 30, 2010 and 2009 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka as of June 30, 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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 an opinion on KTWU's basic financial statements. The accompanying schedule of functional expenses 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 in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

RubinBrown LLP

Overland Park, Kansas
November 29, 2010

KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

MANAGEMENT'S DISCUSSION AND ANALYSIS

KTWU is a non-commercial educational television station serving 35 counties in eastern Kansas, 12 counties in northwest Missouri and one county in northeast Oklahoma. On February 17, 2009, KTWU ceased broadcast of analog channel 11 and now offers three distinct channels of digital programming. KTWU broadcasts 24 hours a day, providing a diversified service of programming for children, adult learners, educators and general audience viewing. KTWU serves over 170,000 households in the 138th designated market area according to Nielsen's station index and is licensed under Washburn University of Topeka.

This section of KTWU's annual financial report presents a discussion and analysis of the station's financial performance during the 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.

Financial Highlights Of The Fiscal Year Ended June 30, 2010

- KTWU ended the year with total assets of \$5,246,391 and liabilities of \$569,816 compared to \$5,882,217 and \$695,962, respectively, at June 30, 2009. Net assets, which represent the residual interest in KTWU's assets after liabilities are deducted, were \$4,676,575 at June 30, 2010. This is a decrease of \$509,680 over last year's net assets of \$5,186,255.
- Operating revenues were \$317,462 and operating expenses were \$4,208,458, resulting in a loss from operations of \$3,890,996. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 34 does not present a complete picture of KTWU's operation until combined with non-operating revenues. Non-operating revenues, including the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB), were \$3,199,895, which, when combined with other revenue sources and the loss from operations, resulted in an overall decrease of \$509,680 in net assets, compared to a decrease of \$812,615 for the year ended June 30, 2009.

KTWU TELEVISION

A Public Telecommunications Entity

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Management's Discussion And Analysis (*Continued*)

Financial Highlights Of The Fiscal Year Ended June 30, 2009

- KTWU ended the year with total assets of \$5,882,217 and liabilities of \$695,962 compared to \$6,215,185 and \$216,315, respectively, at June 30, 2008. Net assets, which represent the residual interest in KTWU's assets after liabilities are deducted, were \$5,186,255 at June 30, 2009. This is a decrease of \$812,615 over the previous year's net assets of \$5,998,870.
- Operating revenues were \$263,350 and operating expenses were \$4,202,896, resulting in a loss from operations of \$3,939,546. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 34 does not present a complete picture of KTWU's operation until combined with non-operating revenues. Non-operating revenues, including the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB), were \$2,770,614, which, when combined with other revenue sources and the loss from operations, resulted in an overall decrease of \$812,615 in net assets, compared to a decrease of \$934,418 for the year ended June 30, 2008.

The Statement Of Net Assets

The Statement of Net Assets presents the financial position of KTWU at the end of the fiscal year and includes all assets and liabilities of KTWU. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of KTWU, 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 KTWU. They are also able to determine how much KTWU owes vendors. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by KTWU.

Net assets are divided into three major categories. The first category, invested in capital assets, provides KTWU's equity in capital assets – the property and equipment owned by KTWU. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources (endowment funds) is only available for investment purposes. Expendable restricted net assets are available for expenditure by KTWU but must be spent for purposes as specified by the 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 KTWU for any legal purpose.

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Management's Discussion And Analysis (Continued)

Condensed Statements Of Net Assets As Of June 30, 2010 Through 2008

	2010	2009	2008
Assets			
Current assets	\$ 315,802	\$ 504,331	\$ 492,340
Other assets	1,158,974	1,044,337	1,879,976
Capital assets, net	3,771,615	4,333,549	3,842,869
	<u>5,246,391</u>	<u>5,882,217</u>	<u>6,215,185</u>
Liabilities			
Current liabilities	204,738	285,249	216,315
Noncurrent liabilities	365,078	410,713	—
	<u>569,816</u>	<u>695,962</u>	<u>216,315</u>
Total Net Assets	<u>4,676,575</u>	<u>5,186,255</u>	<u>5,998,870</u>
Net Assets Consists Of			
Invested in capital assets, net of debt	3,360,902	4,241,824	3,842,869
Restricted - nonexpendable	857,321	857,321	857,321
Restricted - expendable	302,145	392,798	757,343
Unrestricted	156,207	(305,688)	541,337
Total Net Assets	<u>\$ 4,676,575</u>	<u>\$ 5,186,255</u>	<u>\$ 5,998,870</u>

Significant assets consist of cash, receivables, restricted investments managed by Washburn University Foundation, equity in net assets of Washburn University Foundation and capital assets. Significant liabilities include accounts payable, accrued payroll and compensated absences.

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$315,802, \$504,331 and \$492,340, respectively, at June 30, 2010, 2009 and 2008. Total current assets at June 30, 2010, 2009 and 2008 covered current liabilities 1.5 times, 1.8 times and 2.3 times, respectively, an indicator of excellent liquidity.

Capital assets, which represented 72.2, 73.7 and 61.8 percent of total assets at June 30, 2010, 2009 and 2008, respectively, represent the asset's historical cost net of accumulated depreciation.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes funds held for the purchase of digital television equipment, grants received and funds for special projects.

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Management's Discussion And Analysis (*Continued*)

The Statement Of Revenues, Expenses And Changes In Net Assets

Changes in total net assets presented on the Statement of Net Assets result from the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues earned by KTWU, both operating and non-operating, and the expenses incurred by KTWU, operating and non-operating, and any other revenues, expenses, gains and losses earned or incurred by KTWU. 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 viewers and various constituencies of KTWU. 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 KTWU. Non-operating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and the CPB community service and interconnection grants are non-operating because they represent revenue provided to KTWU for which no goods or services are provided by KTWU to the state or to CPB.

The statements below provide an illustration of revenues by source (both operating and non-operating), which were used to fund KTWU's operating activities for the years ended June 30, 2010, 2009 and 2008.

Condensed Statement Of Revenues, Expenses And Changes In Net Assets As Of June 30, 2010 Through 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 317,462	\$ 263,350	\$ 268,070
Operating expenses	4,208,458	4,202,896	4,237,689
	(3,890,996)	(3,939,546)	(3,969,619)
Nonoperating revenues and expenses	3,199,895	2,770,614	2,881,455
Loss before other revenues	(691,101)	(1,168,932)	(1,088,164)
Other revenues	181,421	356,317	153,746
Decrease in net assets	(509,680)	(812,615)	(934,418)
Net assets at beginning of year	5,186,255	5,998,870	6,933,288
Net assets at end of year	\$ 4,676,575	\$ 5,186,255	\$ 5,998,870

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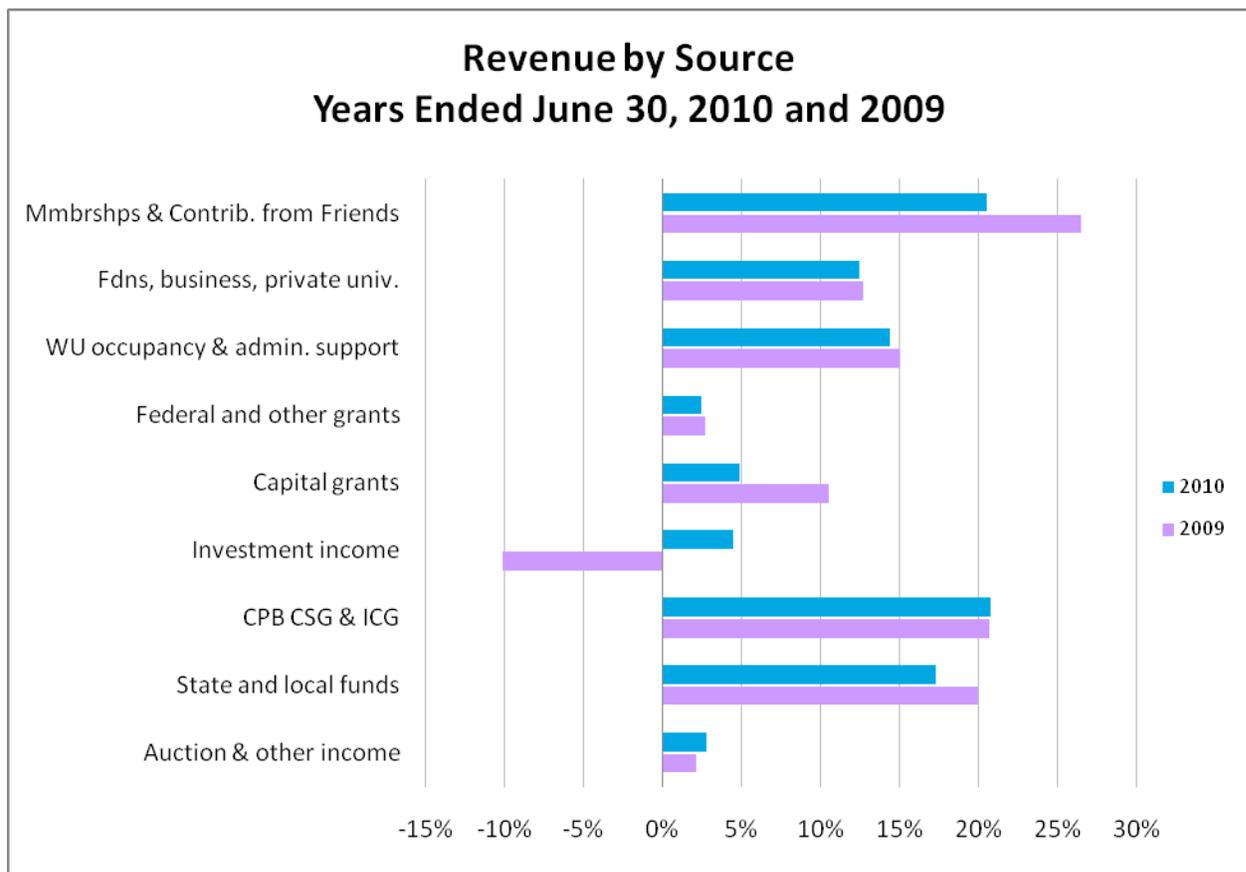
Management's Discussion And Analysis (Continued)

Fiscal Year 2010 Compared To Fiscal Year 2009

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$509,680 during the year ended June 30, 2010 compared to a decrease in net assets of \$812,615 during fiscal year 2009. Some highlights of the information in these statements follows.

Revenues

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



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 41.3 percent of KTWU's revenue for the year ended June 30, 2010 compared to 47.1 percent for the year ended June 30, 2009. Capital grants accounted for 4.9 percent of revenue for the year ended June 30, 2010 compared to 10.5 percent for the year ended June 30, 2009.

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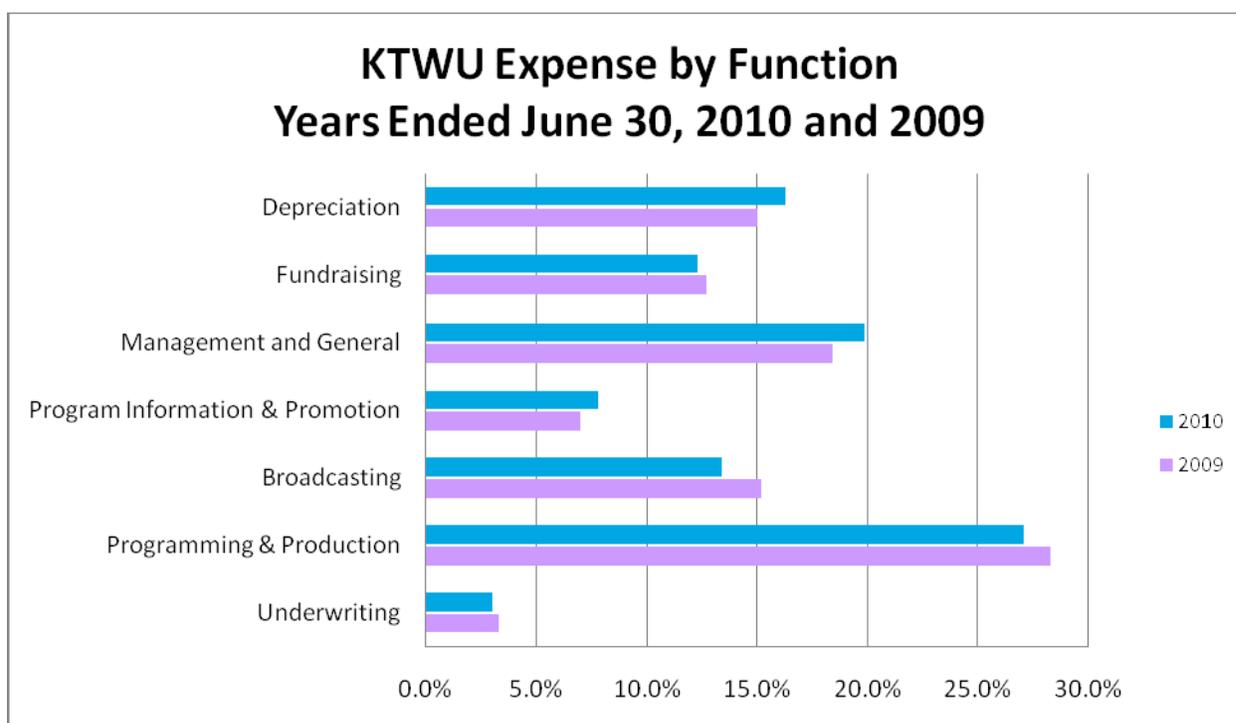
Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

KTWU continues its efforts to increase its revenue, along with pursuing cost containment initiatives. This is necessary as the equipment originally purchased for the conversion to digital programming is aging and the cost of maintenance on digital equipment is greater than that on analog equipment. KTWU will also continue to purchase new digital equipment. Programming is another area where KTWU expects costs to increase mainly due to the fact that producing and purchasing digital programming is greater than that of analog programming.

Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2010 and 2009.



Program services expenses (programming and production, broadcasting, and program information and promotion) account for 48.3 percent of KTWU's expenses for the year ended June 30, 2010 compared to 50.5 percent for the year ended June 30, 2009. Support services expenses (management and general, fundraising, underwriting and depreciation) account for 51.7 percent of expenses for the year ended June 30, 2010 compared to 49.5 percent for the year ended June 30, 2009. While total expenses remained relatively flat during 2010, the amount of indirect administrative support from Washburn University that was allocated to KTWU for 2010 was greater. Due to extenuating circumstances and personnel changes within the executive staff of the University, the institutional support costs for the University were greater. This precipitated a corresponding increase in the management and general costs of KTWU.

KTWU TELEVISION

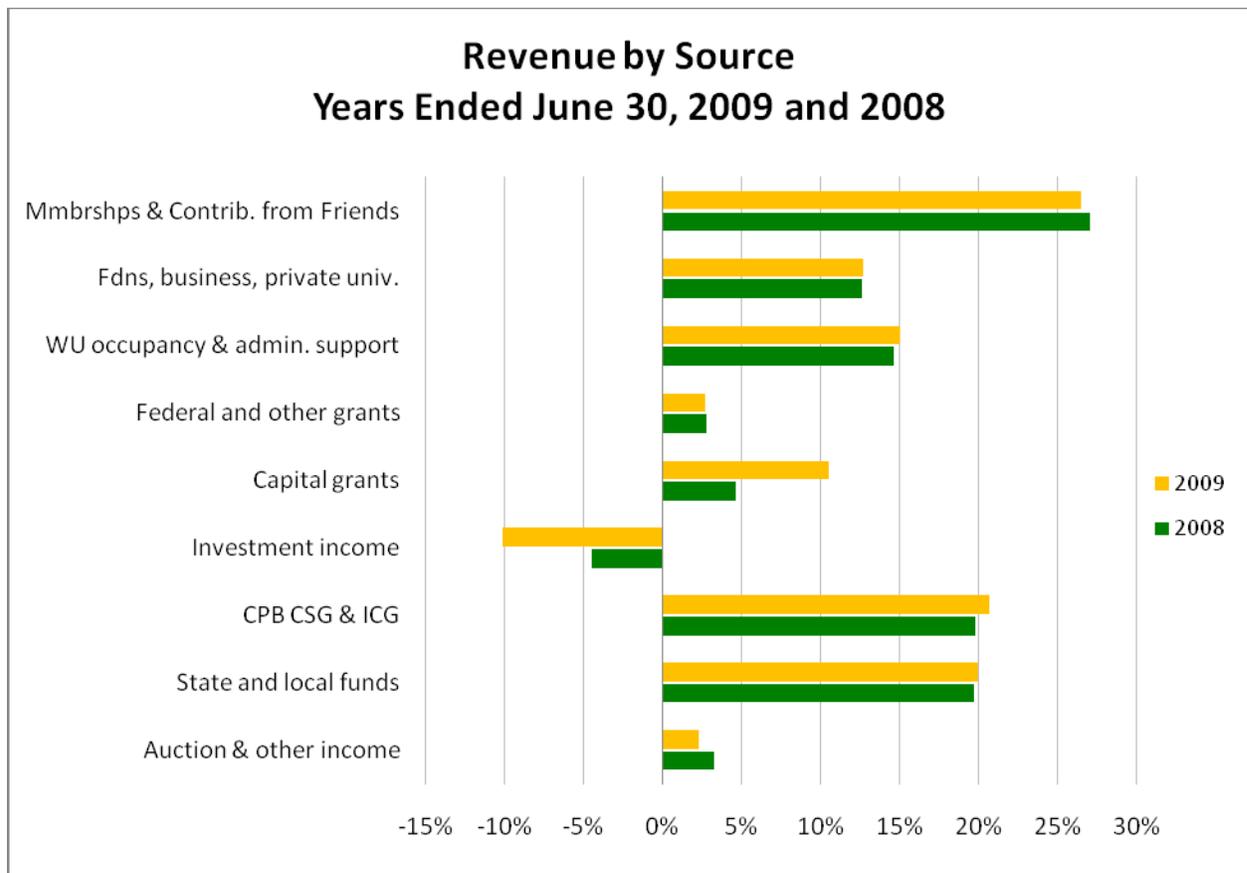
A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (Continued)

Fiscal Year 2009 Compared To Fiscal Year 2008

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$812,615 during 2009 compared to a decrease of \$934,418 during 2008. Some highlights of the information are provided in the statements that follow.



Capital grants comprised 10.5 percent of KTWU's revenue for the year ended June 30, 2009 compared to 4.7 percent for the year ended June 30, 2008, while 26.4 percent is attributed to memberships and contributions from individuals for the year ended June 30, 2009 compared to 27.0 percent for the year ended June 30, 2008. The capital funding increase between 2009 and 2008 is the result of receiving a new capital grant from the USDA Rural Development for a fiber connection package to create local hi-definition content.

KTWU TELEVISION

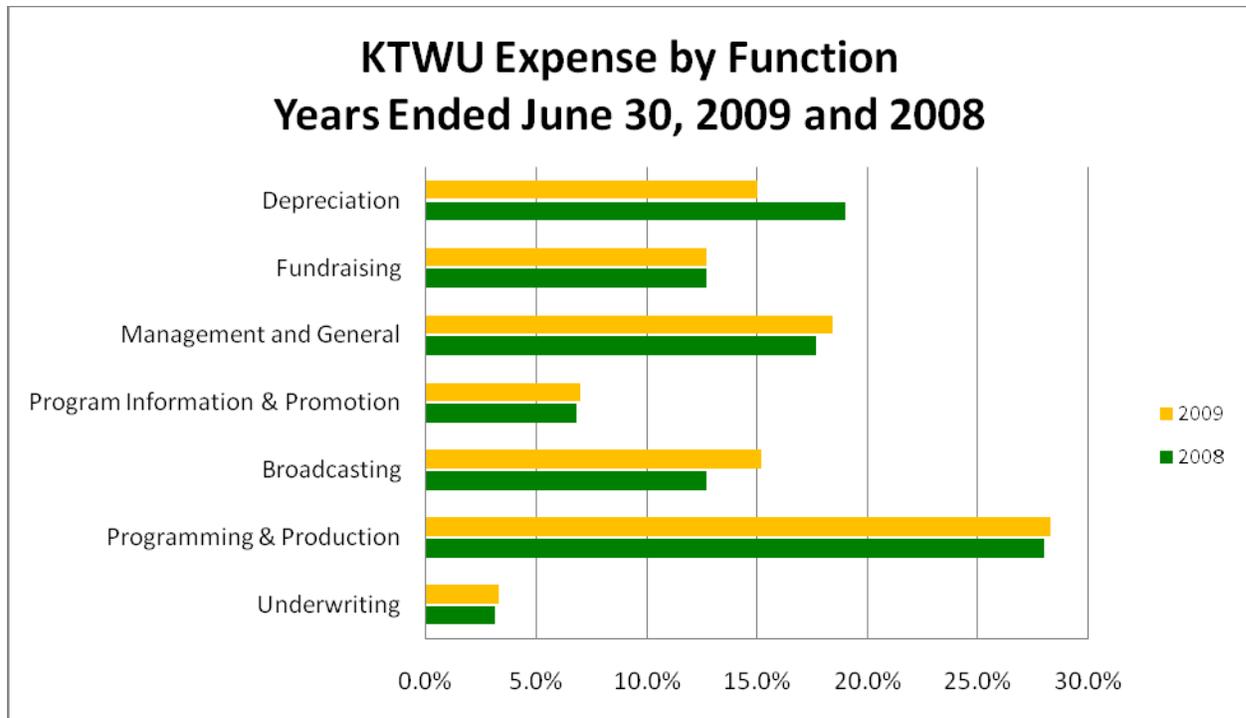
A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

Expenses

The following graphic illustration of expenses by function compares KTWU's expenses to operate the station for the years ended June 30, 2009 and 2008.



Program services expenses (programming and production, broadcasting, and program information and promotion) account for 50.5 percent of KTWU's expenses for the year ended June 30, 2009 compared to 47.5 percent for the year ended June 30, 2008. Support services expenses (management and general, fundraising, underwriting and depreciation) account for 49.5 percent of expenses for the year ended June 30, 2009 compared to 52.5 percent 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 KTWU's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external funding.

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A Public Telecommunications Entity

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Management's Discussion And Analysis (*Continued*)

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 KTWU. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used in 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. 34 treats the majority of KTWU's revenue, CPB grants, state and local funds and memberships to name a few, as non-operating revenues, these cash flows are critical to funding the operations of KTWU.

Condensed Statement Of Cash Flows As Of June 30, 2010 Through 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash provided by (used in):			
Operating activities	\$ (2,742,039)	\$ (2,756,238)	\$ (2,519,980)
Noncapital financing activities	2,579,242	2,734,559	2,190,113
Capital and related financing activities	35,650	24,541	38,594
Investing activities	144,889	75,761	26,975
Net increase in cash	17,742	78,623	(264,298)
Cash - Beginning Of Year	78,623	—	264,298
Cash - End Of Year	\$ 96,365	\$ 78,623	\$ —

Fiscal Year 2010 Compared To Fiscal Year 2009

Significant sources of cash were membership contributions, CPB Community Service and Interconnection grants and underwriting received from foundations, businesses and non-profit organizations. Significant uses of cash were payments to suppliers and payments to employees.

The cash position of KTWU increased by \$17,742 for the fiscal year ended June 30, 2010 compared to an increase of \$78,623 for the fiscal year ended June 30, 2009.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2009 Compared To Fiscal Year 2008

Significant sources of cash were membership contributions, CPB Community Service and Interconnection grants and underwriting received from foundations, businesses and non-profit organizations. Significant uses of cash were payments to suppliers and payments to employees.

The cash position of KTWU increased by \$78,623 for the fiscal year ended June 30, 2009 compared to a decrease of \$264,298 for the fiscal year ended June 30, 2008.

Capital Assets

KTWU has a decrease in capital assets during fiscal years 2010 and 2009. At June 30, 2010, KTWU had \$3,771,615 invested in capital assets, net of accumulated depreciation, compared to \$4,333,549 and \$3,842,869 at June 30, 2009 and 2008, respectively. Depreciation charges totaled \$687,563 for the fiscal year ended June 30, 2010 compared to \$629,456 and \$804,174 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 Through 2008**

	2010	2009	2008
Land	\$ 27,521	\$ 27,521	\$ 27,521
Buildings and towers	2,429,322	2,519,322	2,609,322
Transmitter and antenna	549,261	592,732	636,203
Transmission and broadcast equipment	740,027	1,149,516	475,082
Office equipment	25,484	27,066	33,629
Projects in progress	—	17,392	61,112
	<u>\$ 3,771,615</u>	<u>\$ 4,333,549</u>	<u>\$ 3,842,869</u>

Major capital additions during the fiscal year ended June 30, 2010 include equipment purchased for digital broadcasting.

Major capital additions during the fiscal year ended June 30, 2009 were also equipment purchased for digital broadcasting.

Economic Outlook

Although KTWU continues to be affected by the current economy management believes that the station is in excellent financial condition and will continue to provide excellent service to its viewing audience. KTWU moves into the digital KTWU continues its efforts to increase its revenues through pledge drives and the annual auction, as well as applying for external grant funding to help offset the expense of purchasing new digital equipment as well as maintaining the existing equipment as it ages.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

KTWU 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, KTWU's prudent use of resources, cost containment efforts and enhancement of its revenue sources will strengthen KTWU and ensure it is well positioned to take advantage of future opportunities.

KTWU TELEVISION
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STATEMENT OF NET ASSETS

	June 30,	
	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 96,365	\$ 78,623
Accounts receivable	169,645	242,635
Grants receivable	21,732	169,319
Prepaid expenses	25,960	11,654
Prepaid lease	2,100	2,100
Total Current Assets	315,802	504,331
Noncurrent Assets		
Receivable from Washburn University Foundation	724,397	694,832
Equity in the net assets of Washburn University Foundation	384,876	292,045
Prepaid lease and extended lease	49,701	57,460
Capital assets, net	3,771,615	4,333,549
Net Property And Equipment	4,930,589	5,377,886
Total Assets	\$ 5,246,391	\$ 5,882,217

Liabilities And Net Assets

Current Liabilities		
Accounts payable	\$ 43,723	\$ 127,972
DTV Loan from State of Kansas	45,635	45,635
Prepaid tower lease	4,241	—
Accrued payroll	24,851	22,641
Compensated absences	86,288	89,001
Total Current Liabilities	204,738	285,249
Non-current Liabilities		
DTV Loan from State of Kansas	365,078	410,713
Total Liabilities	569,816	695,962
Net Assets		
Invested in capital assets, net of related debt	3,360,902	4,241,824
Restricted for		
Nonexpendable		
Endowments (gift value)	857,321	857,321
Expendable		
Other	302,145	392,798
Unrestricted	156,207	(305,688)
Total Net Assets	4,676,575	5,186,255
Total Liabilities And Net Assets	\$ 5,246,391	\$ 5,882,217

KTWU TELEVISION
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OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For The Year Ended June 30,	
	2010	2009
Operating Revenues		
Auction and special fundraising events	\$ 44,366	\$ 49,298
Tower lease payments	213,716	189,461
RTL workshops	480	730
Miscellaneous operating revenues	58,900	23,861
Total Operating Revenues	317,462	263,350
Operating Expenses		
Support services		
Management and general	836,116	778,781
Fundraising and membership development	523,919	535,176
Underwriting and grant solicitation	127,580	138,232
Program services		
Programming and production	1,141,978	1,187,579
Broadcasting	563,432	639,687
Program information and promotion	327,870	293,985
Depreciation	687,563	629,456
Total Operating Expenses	4,208,458	4,202,896
Operating Loss	(3,890,996)	(3,939,546)
Nonoperating Revenues (Expenses)		
Community services and interconnection grants from Corporation for Public Broadcasting	766,688	699,714
State and local funds	638,930	675,190
Federal grants	50,000	53,674
Other grants	39,944	39,216
Foundations, business and industry and private university contributions	247,291	240,443
Memberships and subscriptions	759,949	896,531
Donated facilities and administrative support from Washburn University of Topeka	532,293	509,623
Investment income (loss)	164,800	(343,777)
Net Nonoperating Revenues (Expenses)	3,199,895	2,770,614
Net Loss Before Capital Grants	(691,101)	(1,168,932)
Capital Grants		
Federal	52,189	356,317
State and local	129,232	—
Decrease In Net Assets	(509,680)	(812,615)
Net Assets - Beginning Of Year	5,186,255	5,998,870
Net Assets - End Of Year	\$ 4,676,575	\$ 5,186,255

KTWU TELEVISION
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OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2010	2009
Cash Flows From Operating Activities		
Other operating revenues	\$ 325,239	\$ 248,959
Payments to suppliers	(1,412,771)	(1,353,220)
Payments to employees	(1,654,507)	(1,651,977)
Net Cash Used In Operating Activities	(2,742,039)	(2,756,238)
Cash Flows From Investing Activities		
Interest and dividends received	144,889	75,761
Cash Flows From Noncapital Financing Activities		
CPB funds, state and local funds	1,530,718	1,468,894
Underwriting and other revenues	283,869	356,249
Memberships and subscriptions	764,655	909,416
Net Cash Provided By Noncapital Financing Activities	2,579,242	2,734,559
Cash Flows From Capital And Related Financing Activities		
Capital grants and gifts received	293,851	297,786
Proceeds from DTV loan	—	456,348
Payments on DTV loan	(45,635)	—
Purchases of capital assets	(212,566)	(729,593)
Net Cash Provided By Capital And Related Financing Activities	35,650	24,541
Increase In Cash And Cash Equivalents	17,742	78,623
Cash And Cash Equivalents - Beginning Of Year	78,623	—
Cash And Cash Equivalents - End Of Year	\$ 96,365	\$ 78,623
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (3,890,996)	\$ (3,939,546)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	687,563	629,456
Donated facilities and administrative support from Washburn University of Topeka	532,293	509,623
Changes in assets and liabilities:		
Accounts receivable	3,535	(7,661)
Prepaid expenses and other assets	(85,648)	120,316
Accounts payable	11,717	(80,086)
Accrued payroll and compensated absences	(503)	11,660
Net Cash Used In Operating Activities	\$ (2,742,039)	\$ (2,756,238)
Supplemental Cash Flows Information		
Accounts payable incurred for capital assets purchases	\$ —	\$ 91,725

KTWU TELEVISION
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OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 And 2009

1. Nature Of Operations And Summary Of Significant Accounting Policies

Nature Of Operations

KTWU Television (KTWU) is operated by Washburn University of Topeka (the University) as a separate department of the University. All amounts contained in this report are included in the audited financial statements of the University, as of and for the years ended June 30, 2010 and 2009.

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.

KTWU 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 KTWU are from auction activities, lease of tower space, workshops conducted for a fee, and miscellaneous operating activities. Operating expenses include the costs of providing the various programs, administrative expenses and depreciation on capital assets.

Nonoperating transactions include grants, contributions and memberships and subscriptions. These revenues are 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 KTWU must provide local resources to be used for a specified purpose, and expenditure requirements, where the resources are provided to KTWU on a reimbursement basis.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

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). KTWU has chosen not to apply FASB standards for proprietary funds.

Functional Allocation Of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net assets. Accordingly, certain costs have been allocated among programming and support services benefited based on total personnel costs or other systematic bases.

Cash

KTWU participates in the pooled cash account with the University.

Accounts Receivable

Accounts receivable are carried at the original amount. Management considers all receivables to be collectible. Therefore, no allowance for doubtful accounts has been established. Receivables are charged off when deemed uncollectible. Recoveries of receivables previously charged off are recorded as revenue when received.

Restricted Investments Managed By Washburn Endowment Association

Washburn University Foundation (WUF), an affiliate of Washburn University of Topeka, holds investments designated for KTWU. Only the earnings on these investments can be used for KTWU operations. The funds are included in the pooled investments of WUF. Fair value is determined by multiplying the fair value per share by the number of shares owned by KTWU as determined by WUF.

KTWU TELEVISION

A Public Telecommunications Entity

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Notes To Financial Statements (*Continued*)

Capital Assets

Capital assets, including projects in progress, are recorded at 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. KTWU capitalizes interest on the construction of capital assets when significant.

KTWU's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. The estimated useful lives are:

Buildings, improvements and infrastructure	40 years
Transmitters and antenna	20 years
Transmission and broadcasting equipment	3 - 10 years
Furniture and equipment	3 - 10 years

Compensated Absences

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

Net Assets

KTWU's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents KTWU's total investment in capital assets, net of accumulated depreciation and net, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted Net Assets – Nonexpendable

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

Restricted Net Assets – Expendable

This includes resources that KTWU 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 KTWU's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted Net Assets

This includes resources derived from state appropriations and other resources that do not have restrictions imposed by external third parties, and these resources are used for transactions relating to general operations of KTWU.

Pension Plan

The University provides retirement benefits for all of KTWU's employees who meet eligibility requirements 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 shared by the University and the employees. Total expenses charged to KTWU by the University amounted to \$121,038 and \$121,228 for the years ended June 30, 2010 and 2009, respectively.

In-kind Contributions

Donated facilities from Washburn University of Topeka consist of office and studio space, together with related occupancy costs, and are recorded in revenue and expense on the statements of revenues, expenses and changes in net assets in the amount of \$532,293 and \$509,623 for the years ended June 30, 2010 and 2009, respectively. Occupancy costs are based on estimated fair values as per an appraisal; administrative costs are allocated based on expenditures.

Income Taxes

As KTWU is part of the University, it is exempt from 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.

KTWU TELEVISION

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Notes To Financial Statements (*Continued*)

Use Of Estimates

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

Reclassification

Certain 2009 balances have been reclassified to conform to the 2010 year presentation. These reclassifications had no effect on total net assets.

2. Deposits And Investments

Deposits

Custodial risk is the risk that, in the event of a bank failure, an entity's deposits may not be returned to it. KTWU'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.

KTWU had no bank balances exposed to custodial credit risk at June 30, 2010 and 2009.

Investments

KTWU 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.

KTWU TELEVISION

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Notes To Financial Statements (*Continued*)

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KTWU had no investments exposed to custodial credit risk at June 30, 2010 and 2009. KTWU currently does not maintain a formal investment policy that addresses credit or interest rate risk. However, management believes KTWU has complied with the State of Kansas' statutes and regulations regarding investment activity.

3. Receivable From Washburn University Foundation

Receivable from Washburn University Foundation consists of KTWU's participation in investments managed by WUF in the amount of \$724,397 and \$694,832 at June 30, 2010 and 2009, respectively. As KTWU 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 WUF's investments is recorded as a receivable from WUF.

4. Equity In The Net Assets Of Washburn University Foundation

At June 30, 2010 and 2009, KTWU had funds held by WUF in the amount of \$384,876 and \$292,045, respectively, which are held for purchases related to KTWU operations and for purchases related to digital programming. These funds are invested in money market accounts and are available immediately, or as needed by KTWU. These money markets are not rated.

KTWU TELEVISION
A Public Telecommunications Entity
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Notes To Financial Statements (*Continued*)

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2010 follows:

	2010				Balance - June 30, 2010
	Balance - July 1, 2009	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,521	\$ —	\$ —	\$ —	\$ 27,521
Projects in progress	17,392	—	(17,392)	—	—
Total capital assets, not being depreciated	44,913	—	(17,392)	—	27,521
Capital assets, being depreciated					
Buildings, tower and improvements	3,667,494	—	—	—	3,667,494
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,964,946	137,160	—	(176,755)	5,925,351
Furniture and equipment	462,744	5,861	—	(54,199)	414,406
Total capital assets, being depreciated	11,031,455	143,021	—	(230,954)	10,943,522
Less accumulated depreciation for					
Buildings, tower and improvements	(1,148,172)	(90,000)	—	—	(1,238,172)
Transmitters and antenna	(343,539)	(43,471)	—	—	(387,010)
Transmitters and broadcast equipment	(4,815,430)	(546,649)	—	176,755	(5,185,324)
Furniture and equipment	(435,678)	(7,443)	—	54,199	(388,922)
Total accumulated depreciation	(6,742,819)	(687,563)	—	230,954	(7,199,428)
Total capital assets being depreciated, net	4,288,636	(544,542)	—	—	3,744,094
Total capital assets	\$ 4,333,549	\$ (544,542)	\$ (17,392)	\$ —	\$ 3,771,615

KTWU TELEVISION
A Public Telecommunications Entity
Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

A summary of changes in capital assets for the year ended June 30, 2009 follows:

	2009				Balance - June 30, 2009
	Balance - July 1, 2008	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,521	\$ —	\$ —	\$ —	\$ 27,521
Projects in progress	61,112	—	(43,720)	—	17,392
Total capital assets, not being depreciated	88,633	—	(43,720)	—	44,913
Capital assets, being depreciated					
Buildings, tower and improvements	3,667,494	—	—	—	3,667,494
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	4,801,090	1,163,856	—	—	5,964,946
Furniture and equipment	462,744	—	—	—	462,744
Total capital assets, being depreciated	9,867,599	1,163,856	—	—	11,031,455
Less accumulated depreciation for					
Buildings, tower and improvements	(1,058,172)	(90,000)	—	—	(1,148,172)
Transmitters and antenna	(300,068)	(43,471)	—	—	(343,539)
Transmitters and broadcast equipment	(4,326,008)	(489,422)	—	—	(4,815,430)
Furniture and equipment	(429,115)	(6,563)	—	—	(435,678)
Total accumulated depreciation	(6,113,363)	(629,456)	—	—	(6,742,819)
Total capital assets being depreciated, net	3,754,236	534,400	—	—	4,288,636
Total capital assets	\$ 3,842,869	\$ 534,400	\$ (43,720)	\$ —	\$ 4,333,549

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

	Balance - June 30, 2009	Additions	Reductions	Balance - June 30, 2010
DTV Loan	\$ 456,348	\$ —	\$ (45,635)	\$ 410,713

KTWU entered into a loan agreement with the State of Kansas Pooled Money Investment Board (PMIB) on January 20, 2009 to aid in the purchase of digital equipment as authorized by the 2008 Senate Substitutes for House Bill 2946 section 19(c). This loan, in the original amount of \$456,348, is for a period of 10 years with the principal paid back in equal installments over the life of the loan. The interest rate will reset each year on February 1, and will be the highest rate at which state moneys can be invested on the open market in investments authorized by subsection (a) of K.S.A. 75-4209, and amendments thereto for maturities of one year. The interest rate for FY 2010 is 0.35%.

The annual requirements for payments over the life of the loan are as follows:

For The Year Ending June 30,	Principal	Interest	Total
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	182,538	1,012	183,550
	\$ 410,713	\$ 5,870	\$ 416,583

KTWU TELEVISION

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Notes To Financial Statements (*Continued*)

7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through December 2017. Total rents received under these agreements amounted to \$213,716 and \$189,461 for 2010 and 2009, respectively.

Remaining future minimum receipts under these lease agreements at June 30, 2010 are as follows:

<u>For The Year Ending June 30,</u>	<u>Lease Agreement</u>
2011	\$ 160,157
2012	140,828
2013	139,598
2014	135,307
2015	133,357
2016 - 2019	239,980
	<u>\$ 949,227</u>

8. Significant Estimates And Concentrations

Accounting principles generally accepted in the United States of America require disclosures of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Major Funding

During 2010 and 2009, KTWU received approximately 20.5% and 24.2% respectively, of its operating and nonoperating revenues from the Corporation for Public Broadcasting.

KTWU TELEVISION

A Public Telecommunications Entity

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Notes To Financial Statements (*Continued*)

Risk Management

KTWU 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 illness, 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. There have not been significant reductions in coverage from prior years. Washburn University has established a self-insurance fund for health insurance. The health insurance program began in October 2002 for all University employees.

Supplementary Information

KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2010

	Support Services			Program Services			2010	2009
	Management And General	Fundraising And Membership Development	Underwriting And Grant Solicitation	Programming And Production	Broadcasting	Program Information And Promotion		
Salaries and employee benefits	\$ 166,034	\$ 328,993	\$ 90,703	\$ 545,759	\$ 316,694	\$ 89,166	\$ 1,537,349	\$ 1,559,497
Donated facilities and administrative support	489,298	—	—	—	42,995	—	532,293	509,623
Programming and production expenses	—	—	—	484,295	—	—	484,295	515,775
Grants and contracts	—	—	—	23,746	591	93,491	117,828	106,584
Telephone, utilities and insurance	25,982	—	—	9,211	73,690	—	108,883	106,112
Development	—	140,203	—	—	—	—	140,203	148,584
Dues	39,483	—	—	78,967	—	39,483	157,933	139,597
Fundraising	—	54,723	—	—	—	—	54,723	52,860
Building, equipment and maintenance	19,519	—	—	—	—	—	19,519	19,015
Program guide	—	—	—	—	—	45,745	45,745	47,464
Promotion	—	—	—	—	—	59,985	59,985	56,220
Underwriting	—	—	36,877	—	—	—	36,877	46,222
Broadcasting and engineering	—	—	—	—	118,403	—	118,403	187,956
Translator	—	—	—	—	11,059	—	11,059	13,367
Operating expense	47,246	—	—	—	—	—	47,246	30,536
Travel and registration	1,604	—	—	—	—	—	1,604	2,199
Postage and printing	25,399	—	—	—	—	—	25,399	10,572
Services and assessment	21,551	—	—	—	—	—	21,551	21,257
Total Support And Program Services - 2010	\$ 836,116	\$ 523,919	\$ 127,580	\$ 1,141,978	\$ 563,432	\$ 327,870	\$ 3,520,895	\$ 3,573,440
Total Support And Program Services - 2009	\$ 778,781	\$ 535,176	\$ 138,232	\$ 1,187,579	\$ 639,687	\$ 293,985		