
WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2011

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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 years ended June 30, 2011 and 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 \$154,111,260 and \$132,257,088 as of June 30, 2011 and 2010, respectively, and total revenue of \$25,737,098 and \$21,957,943, respectively, for the years then ended) or the Washburn Law School Foundation (total assets of \$8,813,243 and \$7,722,096 as of June 30, 2011 and 2010, respectively, and total revenue of \$1,951,796 and \$1,192,794, 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.

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, 2011 and 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 5, 2011 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 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 in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

RubinBrown LLP

Overland Park, Kansas
December 5, 2011

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, 2011 and comparative data for the fiscal years ended June 30, 2010 and 2009. 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. Neither of these component units is addressed in this management's discussion and analysis.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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.

Financial Highlights for Fiscal Year Ended June 30, 2011

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, 2011, with total assets of \$176.3 million and liabilities of \$33.8 million, compared to total assets of \$169.9 million and liabilities of \$38.2 million at June 30, 2010. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$142.6 million at June 30, 2010. This is an 8.3 percent increase from last fiscal year's net assets of \$131.7 million. Increased 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 \$34.8 million and operating expenses were \$83.4 million, resulting in a loss from operations of \$48.6 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.

Such a complete picture of operations requires consideration of net nonoperating revenues. Nonoperating revenues, including the state operating grant, local appropriations (sales tax) and the change in endowment market values, net of nonoperating expenses, were \$59.5 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$10.9 million compared to an increase of \$5.3 million for the year ended June 30, 2010.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2011, with total assets of \$6.7 million and liabilities of approximately \$528,000, compared to total assets of \$5.7 million and liabilities of \$536,000 at June 30, 2010. Net assets were \$6.1 million, an 18.1% increase from net assets of \$5.2 million at June 30, 2010.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Washburn Tech's operating revenues were \$4.1 million and operating expenses were \$7.2 million, resulting in a loss from operations of \$3.1 million. Net nonoperating revenues, made up predominantly of state appropriations, were \$3.9 million, which, when combined with other revenue sources and the loss from operations, resulted in an increase in net assets of \$940,000 for the year ended June 30, 2011.

Financial Highlights for Fiscal Year Ended June 30, 2010

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 were \$131.7 million at June 30, 2010. This is a 4.2 percent increase from fiscal year 2009'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. 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.

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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in capital assets – the property, plant and equipment owned by the University, 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, 2011, 2010 And 2009

	2011	2010	2009
Assets			
Current assets	\$ 45,759,512	\$ 40,853,369	\$ 38,279,352
Capital assets, net	88,166,680	91,325,065	93,141,281
Other assets	49,058,964	43,434,512	41,036,209
	<u>182,985,156</u>	<u>175,612,946</u>	<u>172,456,842</u>
Liabilities			
Current liabilities	9,768,162	12,082,192	13,525,183
Noncurrent liabilities	24,512,801	26,653,778	28,438,391
	<u>34,280,963</u>	<u>38,735,970</u>	<u>41,963,574</u>
Total net assets	<u>\$ 148,704,193</u>	<u>\$ 136,876,976</u>	<u>\$ 130,493,268</u>
Net Assets Consists Of			
Invested in capital assets, net of debt	\$ 61,865,763	\$ 64,144,211	\$ 58,578,295
Restricted - nonexpendable	31,021,929	26,109,866	24,801,334
Restricted - expendable	28,456,264	27,446,318	28,422,261
Unrestricted	27,360,237	19,176,581	18,691,378
Total net assets	<u>\$ 148,704,193</u>	<u>\$ 136,876,976</u>	<u>\$ 130,493,268</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

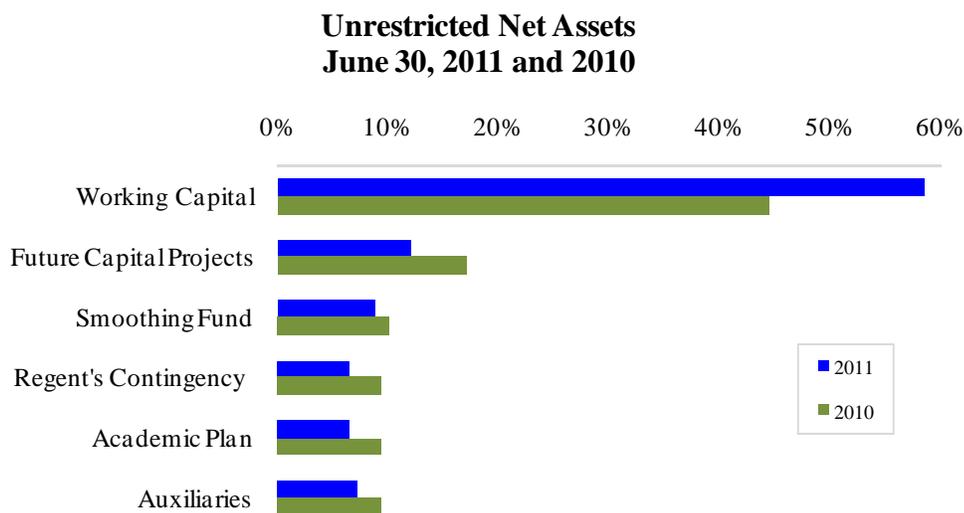
Management's Discussion And Analysis (*Continued*)

Fiscal Year 2011 Compared to Fiscal Year 2010

Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$45.8 million at June 30, 2011. Total current assets at June 30, 2011 cover current liabilities 4.7 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 41.6 percent of total net assets at June 30, 2011, 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, 2011 and 2010:



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

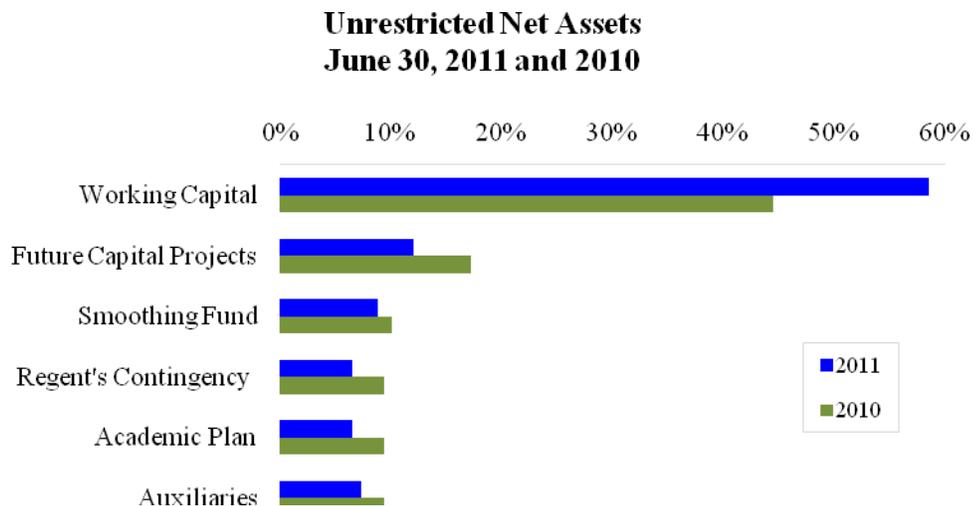
The increase in unrestricted net assets available for working capital purposes is the result of the turnaround in investment income attributable to the increase in market values. Transfers from unrestricted net assets to capital projects during fiscal 2011 caused the drop in the "Future Capital Projects" category.

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.

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, 2011, 2010 and 2009.

Condensed Statement Of Revenues, Expenses And Changes In Net Assets For The Years Ended June 30, 2011, 2010 And 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 38,819,783	\$ 39,530,264	\$ 41,506,283
Operating expenses	90,589,056	92,692,165	92,835,687
	(51,769,273)	(53,161,901)	(51,329,404)
Nonoperating revenues and expenses	62,210,153	57,602,801	38,276,830
Income (loss) before other revenues	10,440,880	4,440,900	(13,052,574)
Other revenues	1,386,337	1,942,808	1,424,236
Net assets received from Topeka Public Schools, July 1, 2008	—	—	4,233,951
Increase (decrease) in net assets	11,827,217	6,383,708	(7,394,387)
Net assets at beginning of year	136,876,976	130,493,268	137,887,655
Net assets at end of year	\$ 148,704,193	\$ 136,876,976	\$ 130,493,268

Fiscal Year 2011 Compared to Fiscal Year 2010

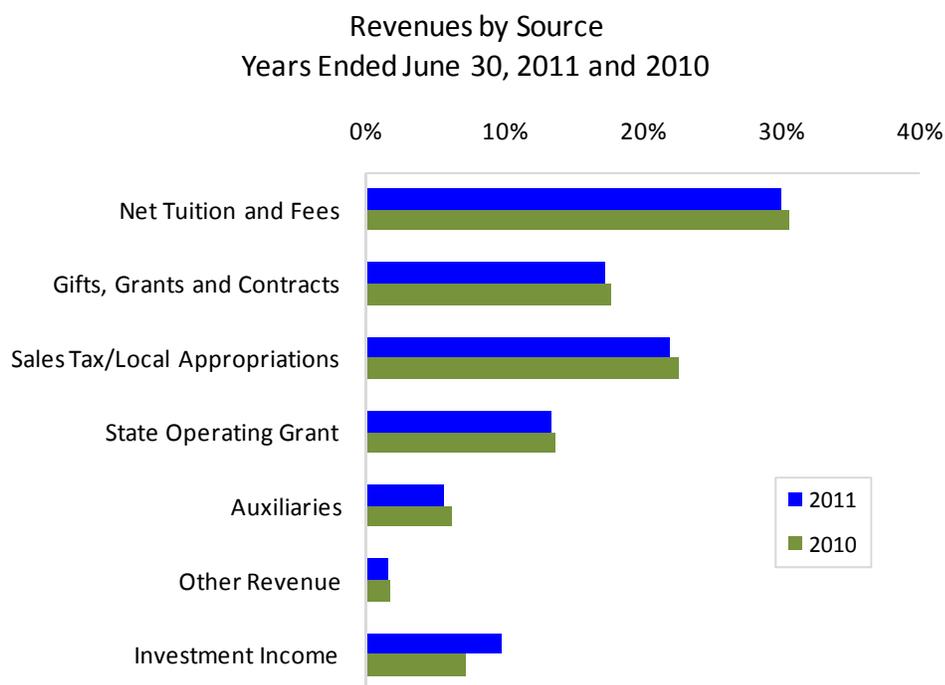
The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets of \$11.8 million during the year ended June 30, 2011 compared to an increase of \$6.4 million during fiscal year 2010. Some highlights of the information provided in these statements follow.

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, 2011 and 2010.



Sales tax/local appropriations and the state operating grant comprise 35.4 percent of the University's revenue for the year ended June 30, 2011 compared to 36.4 percent for the year ended June 30, 2010. The next largest revenue source was net tuition and fees, comprising 30.0 percent of revenue for the year ended June 30, 2011 compared to 30.6 percent for the year ended June 30, 2010. Excluding investment income, governmental appropriations and taxes account for 39.2 percent of revenue in fiscal year 2011, compared to 39.2 percent in fiscal year 2010, while net tuition and fees represent 33.3 percent of revenue, compared to 33.4 percent in the prior fiscal year.

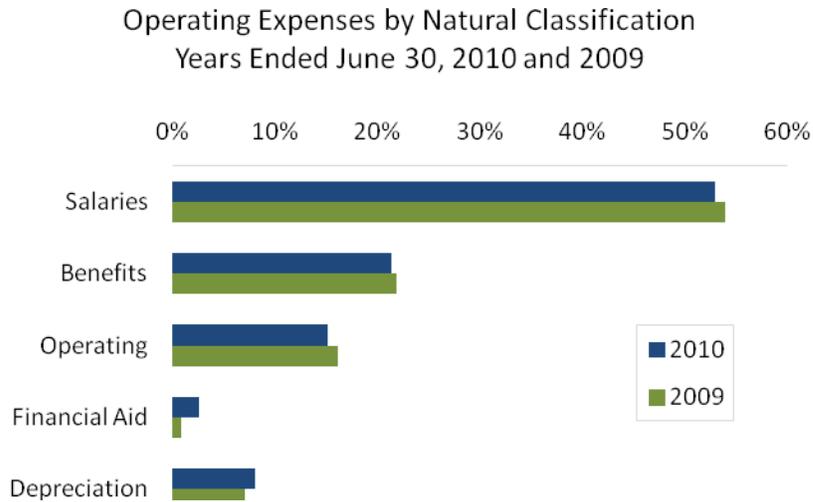
The University continues efforts to enhance its revenue base, along with pursuing cost containment initiatives. This is necessary as the University continues to face reduced governmental appropriation and tax revenue, increased compensation and benefit costs, and volatile technology and energy prices.

WASHBURN UNIVERSITY OF TOPEKA

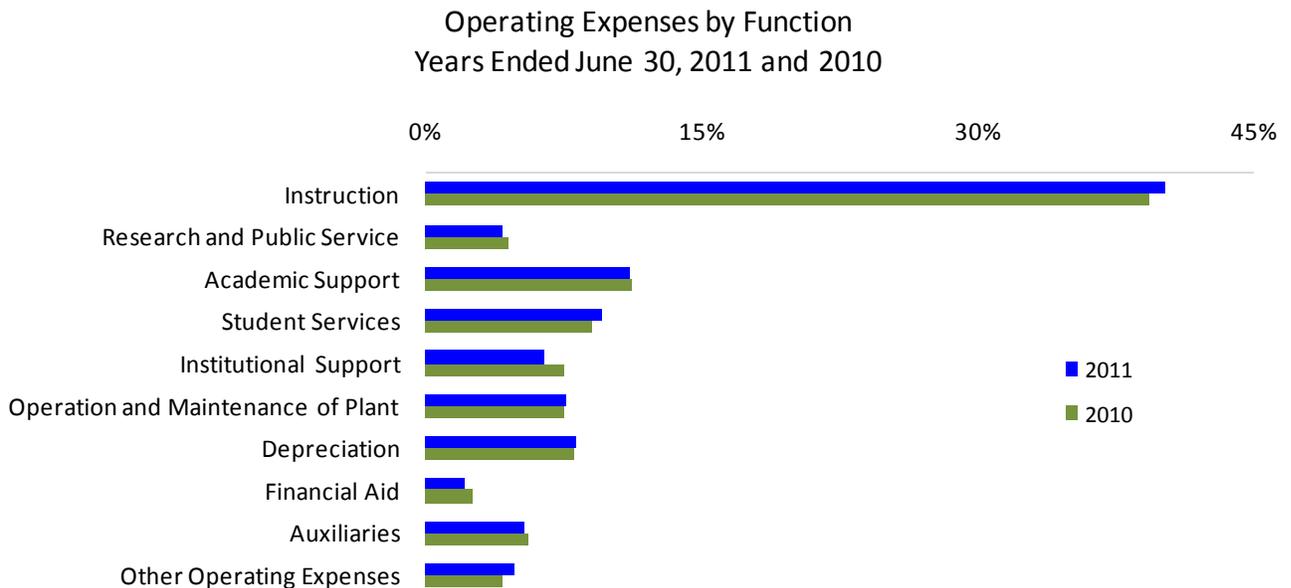
Management’s Discussion And Analysis (*Continued*)

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, 2011 and 2010.



Salaries and benefits comprise 75.4 percent of expenses by natural classification for the year ended June 30, 2011 compared to 74.2 percent for the year ended June 30, 2010. Operating expenses represent 14.3 percent of total expenses for the year ended June 30, 2011 compared to 15.1 percent for the year ended June 30, 2010. Financial aid and depreciation represent the remaining 10.3 percent of expenses for the year ended June 30, 2011 compared to 10.7 percent for the year ended June 30, 2010.



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (Continued)

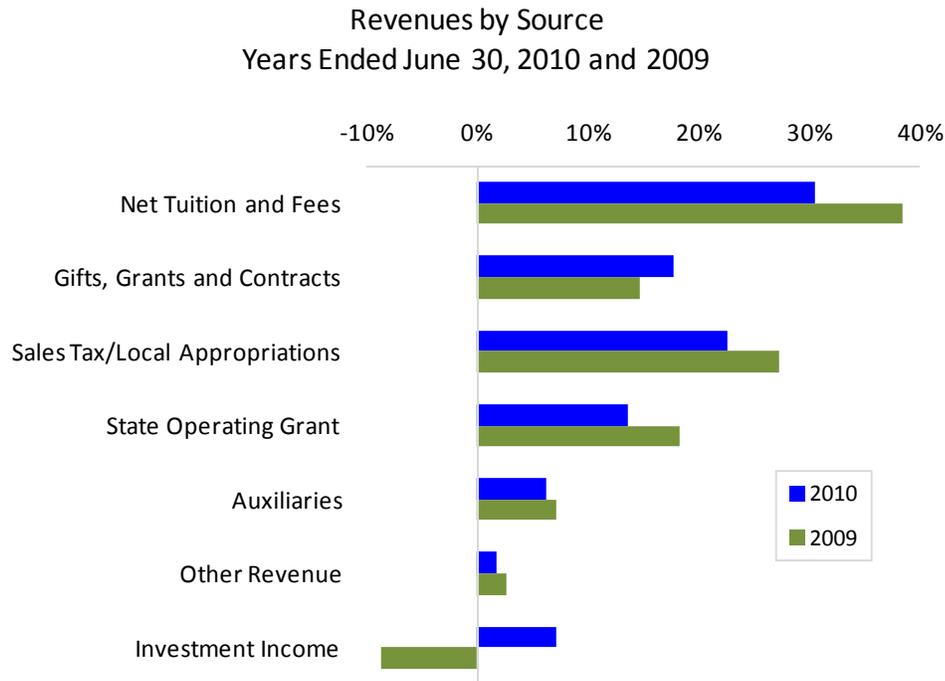
Operating expenses by function indicate 40.3 percent is attributable to instruction for the year ended June 30, 2011 compared to 39.6 percent for the year ended June 30, 2010. The percentages for the remaining operating expenses by functional area range from 11.1 percent for academic support to 2.2 percent for financial aid for the year ended June 30, 2011 compared to 11.3 percent for academic support to 2.6 percent for financial aid for the year ended June 30, 2010.

Fiscal Year 2010 Compared To Fiscal Year 2009

The Statement of Revenues, Expenses and Changes in Net Assets reflects 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.

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.



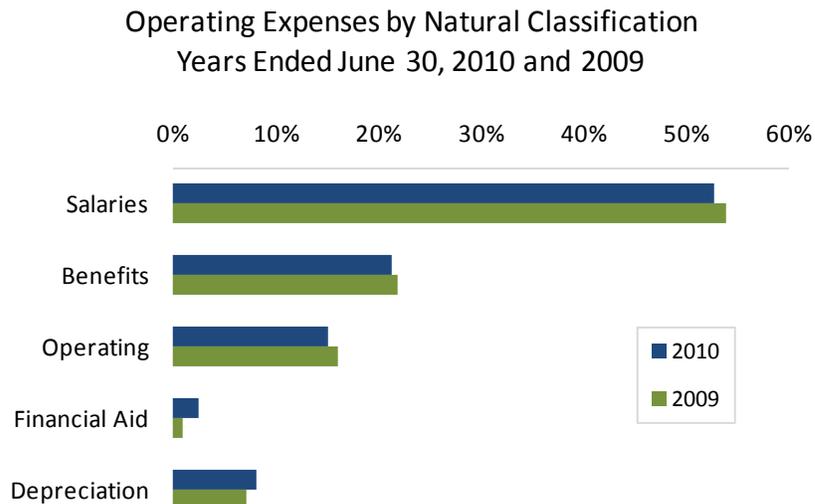
WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Sales tax/local appropriations and the state operating grant comprise 36.4 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 30.6 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 39.2 percent of revenue in fiscal year 2010, compared to 42.1 percent in fiscal year 2009, while net tuition and fees represent 32.9 percent of revenue, compared to 35.3 percent in the prior fiscal year.

Expenses

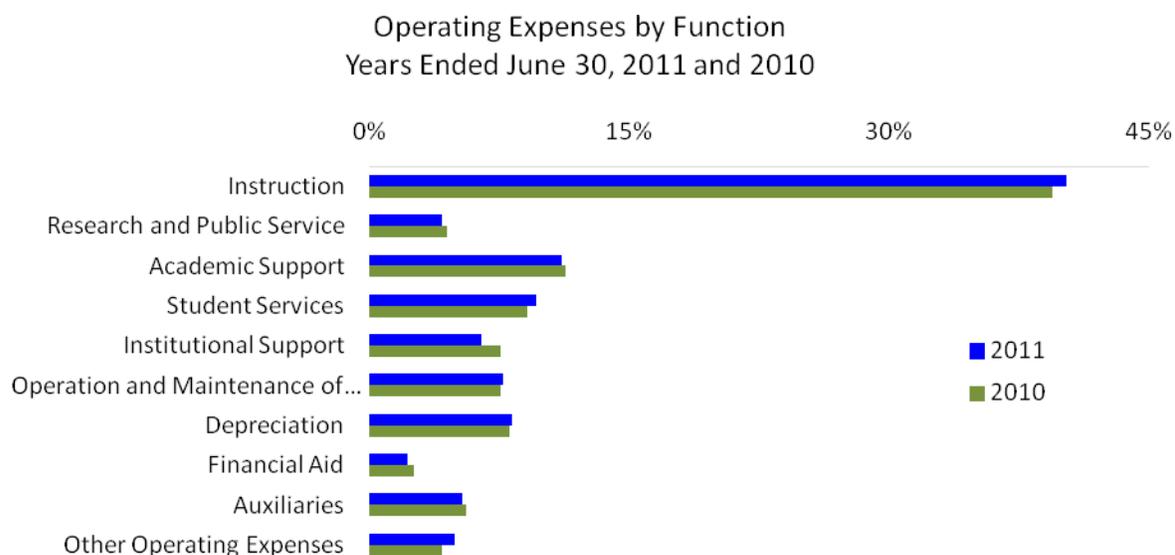
Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2010 and 2009.



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Salaries and benefits comprise 74.2 percent of expenses by natural classification for the year ended June 30, 2010 compared to 75.7 percent for the year ended June 30, 2009. Operating expenses represent 15.1 percent of total expenses for the year ended June 30, 2010 compared to 16.2 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 8.1 percent for the year ended June 30, 2009.



Operating expenses by function indicate 39.6 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.

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.

WASHBURN UNIVERSITY OF TOPEKA

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 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, 2011, 2010 And 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash provided by (used by):			
Operating activities	\$ (45,438,213)	\$ (43,136,765)	\$ (40,806,371)
Noncapital financing activities	54,187,627	51,837,336	52,634,906
Capital and related financing activities	(6,514,043)	(7,655,376)	(12,866,245)
Investing activities	1,517,146	10,810,642	6,188,620
Net increase in cash	3,752,517	11,855,837	5,150,910
Cash - Beginning of Year	25,573,329	13,717,492	8,566,582
Cash - End of Year	<u>\$ 29,325,846</u>	<u>\$ 25,573,329</u>	<u>\$ 13,717,492</u>

Fiscal Year 2011 Compared to Fiscal Year 2010

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 \$3.8 million for the fiscal year ended June 30, 2011 compared to an increase of approximately \$11.9 million for the fiscal year ended June 30, 2010.

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.

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.

Capital Assets

The University made significant investments in capital assets during fiscal years 2011 and 2010. At June 30, 2011, the University had \$88.2 million invested in capital assets, net of accumulated depreciation, compared to \$91.3 million and \$93.1 million at June 30, 2010 and 2009, respectively. Depreciation charges totaled \$7.4 million for the fiscal year ended June 30, 2011 compared to \$7.5 million and \$6.6 million for the fiscal years ended June 30, 2010 and 2009, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Details of these assets are as follows:

Condensed Statement Of Capital Assets, Net Of Depreciation As Of June 30, 2011, 2010 And 2009

	2011	2010	2009
Land	\$ 1,444,104	\$ 1,444,449	\$ 1,444,449
Buildings, improvements and infrastructure	69,043,869	72,610,476	68,554,211
Furniture, fixtures and equipment	7,618,868	7,299,799	4,748,319
Computer and electronic equipment	1,800,569	2,022,269	2,689,085
Books and collections	1,501,043	1,619,718	1,633,959
Broadcasting tower, antenna and equipment	1,889,125	2,334,142	2,778,414
Vehicles	138,946	172,319	249,021
Works of art and historical treasures	2,567,114	2,508,014	2,437,714
Construction in progress	2,163,042	1,313,879	8,606,109
	<u>\$ 88,166,680</u>	<u>\$ 91,325,065</u>	<u>\$ 93,141,281</u>

Major capital additions during the fiscal year ended June 30, 2011 include HVAC system upgrades and an enrollment management software suite.

The major projects classified as construction in progress at June 30, 2011 are renovation of the Phi Delta Theta fraternity house and fire alarm system upgrades at Washburn Tech.

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 system upgrades and renovation of the Phi Delta Theta fraternity house.

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 0.29%, and will reset on February 1, 2012.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Debt

At June 30, 2011, the University had \$26.3 million in outstanding debt compared to \$27.5 million at June 30, 2010 and \$28.9 million at June 30, 2009. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

**Outstanding Debt Schedule
As Of June 30, 2011, 2010 And 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Series 2001 A & B	\$ —	\$ —	\$ 8,285,000
Series 2003	—	—	5,730,000
Series 2004	12,135,000	12,820,000	13,485,000
Series 2010	12,545,000	13,500,000	—
	<u>\$ 24,680,000</u>	<u>\$ 26,320,000</u>	<u>\$ 27,500,000</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. At June 30, 2011, the Moody's underlying rating remained at A1.

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 indicated 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.

There was no additional debt issued during the fiscal year ended June 30, 2011.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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

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 2011, 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.

Actual state funding received during fiscal 2011 amounted to \$11,087,963. This was approximately \$30,000 above the budgeted amount. However, in light of the continuing uncertainty surrounding state higher education funding, the University felt compelled to continue to budget state funding conservatively. For fiscal 2012, the University's operating budget includes \$10,955,683 of state appropriations, a decrease of \$103,000 from the fiscal 2011 budget, and a decrease of \$133,000 from actual fiscal 2011 receipts.

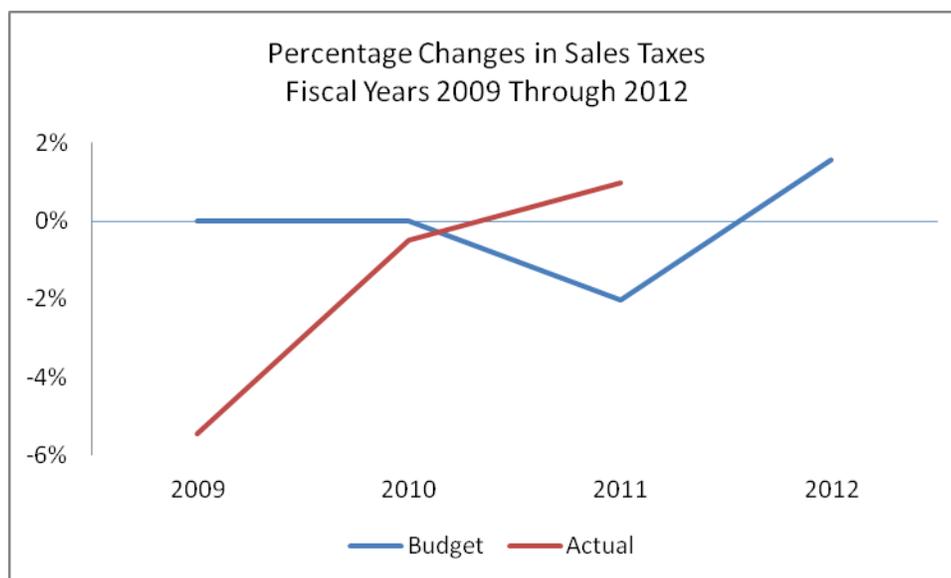
In addition to the impact on the University as a whole, KTWU, the University's PBS-affiliated television station, will receive no state funding in fiscal year 2012. This represents a loss of revenue of \$243,000. This shortfall will be made up through a combination of other revenue sources, primarily increased fundraising from the public.

Due to the 12.4% decrease in state appropriations from fiscal 2009 to fiscal 2012, the University has been, and will continue, aggressively exploring cost-reduction options, as well as possible revenue enhancements.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

The chart below shows the budgeted and actual percentage changes in state funding for fiscal years 2009 through 2012.



Sales Taxes

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.

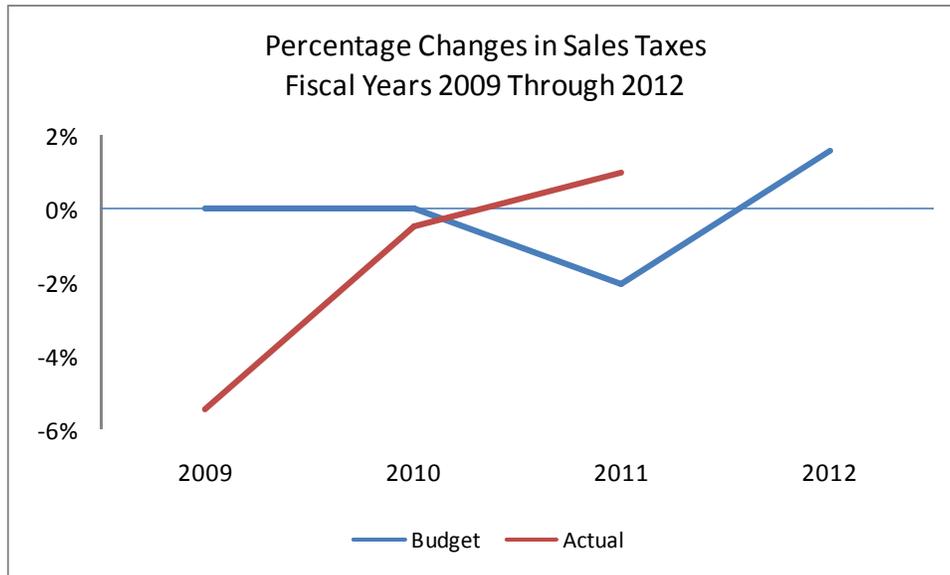
Sales tax receipts during fiscal 2011 were almost \$500,000 higher than budgeted, coming in at \$19,386,599. This was also higher than what had been budgeted each year in the five years prior to fiscal 2011, as well as the highest level of receipts since fiscal 2008. Reflecting the University's conservative approach to budgeting sales tax revenue, the fiscal year 2012 budget was increased to \$19,194,712, which is the amount of actual receipts in fiscal 2010.

There is still sufficient uncertainty in the economy that the University has not yet returned to pre-fiscal 2011 budget levels. The University's practice has been to budget sales tax revenues conservatively. In light of the continuing uncertain economic environment, this practice appears more prudent than ever.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

The chart below shows the budgeted and actual percentage changes in sales tax revenues for fiscal years 2009 through 2012.



Tuition

The University's Board of 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 a decline in student credit hours, 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 were budgeted at 3.2% less than the fiscal 2009 budget. However, fiscal 2010 tuition revenue was 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 were 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*)

For fiscal year 2011-2012, a 4.3% base tuition rate increase was approved to offset the expected reductions in state appropriations and relatively flat sales tax revenues discussed above. Reflecting strong enrollment in fiscal 2011, an increase of 0.5% in student credit hours was budgeted. Enrollment in fall 2011 increased by approximately 1% compared to fall 2010.

Taking the tuition rate increase and budgeted credit hour increases into account, gross tuition revenues are budgeted to be 8.3% higher in fiscal 2012 than what was budgeted in fiscal 2011, and slightly higher than actual fiscal 2011 tuition revenue.

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 remaining \$756,280 applies to fiscal year 2010. The University's portion of the fiscal year 2010 allocation is \$622,555, and was 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, was used for capital infrastructure projects.

The final allocation of ARRA funding, for fiscal 2011, was equal to the fiscal 2010 allocation. As in the fiscal 2010, the fiscal 2011 allocation of \$622,555 for the University was 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 allowed the University to identify other revenue sources to replace the ARRA funding over two fiscal years rather than one fiscal year.

Recognizing the distinct possibility of additional state funding reductions during fiscal year 2012, the chance for a prolonged economic downturn and to guard against unexpected 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 remain as they were before the affiliation with the University. Certain administrative functions, such as facilities services and information services, are 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,	
	2011	2010
Current Assets		
Cash and cash equivalents	\$ 29,325,846	\$ 25,573,329
Short-term investments	7,045,557	4,046,000
Taxes receivable	3,434,792	3,580,034
Accounts receivable, net of allowance of \$1,100,000 and \$1,142,000 in 2011 and 2010, respectively	3,563,860	3,796,301
Receivable from Kansas Board of Regents	—	761,375
Receivable from Washburn University Foundation	277,760	293,817
Other current receivables	300,000	300,000
Inventories	766,734	974,201
Other assets	1,044,963	1,528,312
Total Current Assets	45,759,512	40,853,369
Noncurrent Assets		
Perkins loans receivable	903,752	1,093,293
Receivable from Washburn University Foundation	34,451,886	29,201,741
Equity in the net assets of Washburn University Foundation	12,910,862	12,280,317
Endowment investments	300,847	302,480
Bond issuance costs, net of accumulated amortization of \$226,902 and \$161,839 in 2011 and 2010, respectively	491,617	556,681
Capital assets, net	88,166,680	91,325,065
Total Noncurrent Assets	137,225,644	134,759,577
Total Assets	\$ 182,985,156	\$ 175,612,946

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET ASSETS

Page 2 Of 2

Liabilities And Net Assets

	June 30,	
	2011	2010
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,120,133	\$ 6,389,162
Accrued compensated absences, current portion	1,504,594	1,455,302
Accrued postemployment benefits, current portion	144,328	288,754
Deferred revenue	1,616,106	1,597,287
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	1,680,000	1,640,000
Deposits held in custody for others	231,741	240,427
Total Current Liabilities	9,768,162	12,082,192
Noncurrent Liabilities		
Accrued compensated absences	98,745	106,247
Accrued postemployment benefits	264,399	349,616
Loan payable	319,444	365,079
Loan with Kansas Board of Regents	1,702,500	2,128,125
Building revenue bonds	22,127,713	23,704,711
Total Noncurrent Liabilities	24,512,801	26,653,778
Total Liabilities	34,280,963	38,735,970
Net Assets		
Invested in capital assets, net of related debt	61,865,763	64,144,211
Restricted		
Nonexpendable		
Endowments	31,021,929	26,109,866
Expendable		
Scholarships, tuition and other	14,599,497	13,748,700
Loans	1,418,174	1,466,135
Self-insurance	2,312,916	1,532,107
Capital projects	5,533,928	6,488,907
Debt service	1,217,008	1,555,263
Other	3,374,741	2,655,206
Unrestricted	27,360,237	19,176,581
Total Net Assets	148,704,193	136,876,976
Total Liabilities And Net Assets	\$ 182,985,156	\$ 175,612,946

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

	June 30,	
	2011	2010
Assets		
Assets		
Cash and cash equivalents	\$ 1,524,789	\$ 1,470,337
Investments	138,379,059	115,861,842
Bequests receivable	798,445	1,044,293
Pledges receivable, less allowance for uncollectible pledges of \$112,668 and \$126,656 in 2011 and 2010, respectively	4,118,988	4,792,370
Accrued investment income receivable	50,929	37,826
Beneficial interests in trusts	9,098,518	8,898,269
Furniture and equipment, net of accumulated depreciation of \$141,531 and \$107,710 in 2011 and 2010, respectively	140,532	152,151
Total Assets	\$ 154,111,260	\$ 132,257,088
Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 75,474	\$ 67,934
Accrued payroll, taxes and benefits	145,692	194,635
Due to Washburn University of Topeka	277,823	287,531
Charitable gift liabilities	282,850	224,132
Funds managed on behalf of Washburn University of Topeka	34,450,636	29,201,741
Funds managed on behalf of Washburn Law School Foundation School of Law	8,813,243	7,722,096
Total Liabilities	44,045,718	37,698,069
Net Assets		
Unrestricted	10,980,954	4,699,201
Temporarily restricted	40,908,962	34,290,680
Permanently restricted	58,175,626	55,569,138
Total Net Assets	110,065,542	94,559,019
Total Liabilities And Net Assets	\$ 154,111,260	\$ 132,257,088

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

Assets

	June 30,	
	2011	2010
Investments held at Washburn University Foundation	\$ 8,813,243	\$ 7,722,096

Liabilities And Net Assets

Net Assets

Unrestricted	\$ 3,394,820	\$ 2,473,993
Temporarily restricted	581,172	525,677
Permanently restricted	4,837,251	4,722,426
Total Net Assets	8,813,243	7,722,096

Total Liabilities And Net Assets

\$ 8,813,243 \$ 7,722,096

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Page 1 Of 2

	For The Year	
	Ended June 30,	
	2011	2010
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$16,596,094 and \$13,768,444 in 2011 and 2010 respectively)	\$ 31,297,090	\$ 30,699,991
Federal grants and contracts	3,147	811,477
State and local grants and contracts	17,161	—
Sales and services of educational departments	1,192,408	1,411,475
Auxiliary enterprises		
Residential living (net of scholarship allowances of \$266,433 and \$285,119 in 2011 and 2010 respectively; revenues are used as security for revenue bonds Series 2004 and 2010)	2,216,965	2,123,970
Memorial Union (revenues are used as security for revenue bonds Series 2010)	3,704,772	4,153,153
Other operating revenues	388,240	330,198
Total Operating Revenues	38,819,783	39,530,264
Operating Expenses		
Educational and general		
Instruction	36,421,998	36,508,467
Research	216,401	194,369
Public service	3,608,311	3,995,675
Academic support	10,075,455	10,504,011
Student services	8,741,221	8,464,217
Institutional support	5,762,425	6,985,881
Operatings and maintenance of plant	7,013,583	7,090,419
Depreciation	7,429,018	7,524,553
Financial aid	1,983,695	2,384,678
Auxiliary enterprises		
Residential Living	1,151,594	1,134,564
Memorial Union	3,711,497	4,001,544
Self-insurance claims, net of premiums	4,473,858	3,901,417
Other expenditures	—	2,370
Total Operating Expenses	90,589,056	92,692,165
Operating Loss	(51,769,273)	(53,161,901)

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Page 2 Of 2

	For The Year Ended June 30,	
	2011	2010
Nonoperating Revenues (Expenses)		
State appropriations	\$ 13,997,852	\$ 13,793,678
Local appropriations	22,869,273	22,779,750
Federal grants and contracts	13,526,802	12,156,462
State and local grants and contracts	1,207,696	334,773
Nongovernmental grants and contracts	13,652	36,002
Gifts	2,150,103	2,714,748
Investment income	10,165,286	7,275,537
Interest on indebtedness	(1,059,928)	(1,317,950)
Other nonoperating expenses	(660,583)	(170,199)
Net Nonoperating Revenues (Expenses)	62,210,153	57,602,801
Income Before Other Revenues	10,440,880	4,440,900
Capital Grants - Federal	135,659	133,725
Capital Grants And Gifts - Non-Federal	1,036,807	1,696,820
Additions To Permanent Endowments	213,871	112,263
Increase In Net Assets	11,827,217	6,383,708
Net Assets - Beginning Of Year	136,876,976	130,493,268
Net Assets - End Of Year	\$ 148,704,193	\$ 136,876,976

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Support				
Contributions	\$ 2,333,964	\$ 2,132,204	\$ 1,332,971	\$ 5,799,139
Change in beneficial interest	—	7,251	908,791	916,042
Total support	2,333,964	2,139,455	2,241,762	6,715,181
Revenues				
Investment income	4,857,851	12,629,299	150,734	17,637,884
Administration	1,097,598	—	—	1,097,598
Events	120,351	—	—	120,351
Other	3,069	163,184	(169)	166,084
Total revenue	6,078,869	12,792,483	150,565	19,021,917
Net assets released from restrictions satisfaction of program and time restrictions	4,266,315	(4,266,315)	—	—
Total Support And Revenue	12,679,148	10,665,623	2,392,327	25,737,098
Expenses				
Program services	6,559,016	—	—	6,559,016
Management and general	1,517,344	—	—	1,517,344
Fundraising	2,154,215	—	—	2,154,215
Total Expenses	10,230,575	—	—	10,230,575
Excess Of Revenues Over Expenses	2,448,573	10,665,623	2,392,327	15,506,523
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original				
Donor Contributions	3,859,482	(3,859,482)	—	—
Other Interfund Transfers, Net	(26,302)	(187,859)	214,161	—
Change In Net Assets	6,281,753	6,618,282	2,606,488	15,506,523
Net Assets - Beginning Of Year	4,699,201	34,290,680	55,569,138	94,559,019
Net Assets - End Of Year	\$ 10,980,954	\$ 40,908,962	\$ 58,175,626	\$ 110,065,542

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Contributions	\$ 109,383	\$ 9,115	\$ 51,995	\$ 170,493
Return on investments	784,285	967,360	16,722	1,768,367
Nongift and other income	6,828	—	6,108	12,936
Net assets released from restriction	315,777	(315,777)	—	—
Total Support And Revenues	1,216,273	660,698	74,825	1,951,796
Expenses				
Program expenses				
Scholarships	587,175	—	—	587,175
General support of Law School	29,303	—	—	29,303
Management and general	244,171	—	—	244,171
Total Expenses	860,649	—	—	860,649
Excess Of Revenues Over Expenses	355,624	660,698	74,825	1,091,147
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	602,203	(602,203)	—	—
Other Interfund Transfers, Net	(37,000)	(3,000)	40,000	—
Change In Net Assets	920,827	55,495	114,825	1,091,147
Net Assets - Beginning Of Year	2,473,993	525,677	4,722,426	7,722,096
Net Assets - End Of Year	\$ 3,394,820	\$ 581,172	\$ 4,837,251	\$ 8,813,243

WASHBURN UNIVERSITY OF TOPEKA

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	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	(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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 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 CASH FLOWS

Page 1 Of 2

	For The Years Ended June 30,	
	2011	2010
Cash Flows From Operating Activities		
Tuition and fees	\$ 32,457,052	\$ 31,735,718
Grants and contracts	2,953	896,687
Auxiliary enterprise charges		
Residential Living	2,293,218	2,173,271
Memorial Union	3,698,875	3,968,146
Sales and services of educational departments	1,183,038	1,417,617
Collection of loans issued to students	203,463	179,253
Other receipts	458,873	355,471
Self-insurance premiums	417,943	930,264
Payments to suppliers	(15,391,813)	(13,091,403)
Payments to employees	(62,062,231)	(62,881,596)
Payments for scholarships and fellowships	(1,983,695)	(2,384,676)
Loans issued to students	(58,004)	(4,925)
Payments for self-insurance claims and administrative fees	(6,657,885)	(6,430,592)
Net Cash Used In Operating Activities	(45,438,213)	(43,136,765)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	4,000,000	10,000,000
Interest on investments	4,516,703	4,810,642
Purchase of investments	(6,999,557)	(4,000,000)
Net Cash Provided By Investing Activities	1,517,146	10,810,642
Cash Flows From Noncapital Financing Activities		
State appropriations	13,997,852	13,793,678
Local appropriations	23,014,515	22,753,818
Gifts and grants for other than capital purposes	17,135,516	15,318,365
Cash received from Topeka Public Schools	100,000	61,306
Federal Family Education loan receipts	54,298,040	51,334,821
Federal Family Education loan disbursements	(54,346,466)	(51,425,325)
Agency account transactions	(11,830)	673
Net Cash Provided By Noncapital Financing Activities	54,187,627	51,837,336
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	761,375	2,332,509
Capital grants and gifts received	1,306,317	2,437,438
Proceeds from sale of capital assets	64,000	—
Purchase of capital assets	(5,593,080)	(9,292,203)
Principal paid on capital loans	(471,260)	(471,260)
Principal paid on long-term debt	(1,640,000)	(1,470,000)
Interest paid on long-term debt	(941,395)	(1,201,940)
Net Cash Used In Capital And Related Financing Activities	(6,514,043)	(7,655,376)
Increase In Cash And Cash Equivalents	3,752,517	11,855,837
Cash And Cash Equivalents - Beginning Of Year	25,573,329	13,717,492
Cash And Cash Equivalents - End Of Year	\$ 29,325,846	\$ 25,573,329

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF CASH FLOWS

Page 2 Of 2

	For The Years	
	Ended June 30,	
	2011	2010
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (51,769,273)	\$ (53,161,901)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,429,018	7,524,553
Provision for uncollectible accounts receivable	266,188	298,756
Write-off of Perkins loans	43,970	42,459
Changes in assets and liabilities:		
Receivables, net	1,074,755	550,247
Inventories	207,467	(70,976)
Receivables from Washburn University Foundation	8,296	(8,482)
Other assets	31,348	(2,620,632)
Perkins loans receivable	145,571	156,713
Accounts payable	(2,706,519)	3,893,783
Compensated absences	41,790	(23,937)
Postemployment benefits	(229,643)	183,042
Deferred revenue	18,819	99,610
Net Cash Used In Operating Activities	\$ (45,438,213)	\$ (43,136,765)
Noncash Investing And Financing Transactions		
Change in fair value of investments	\$ 4,443,712	\$ 1,303,891
Refunding of Series 2001 and 2003 bonds	—	13,210,000
Bond issuance costs reducing proceeds of capital debt	—	220,085
Capitalization of interest	49,532	21,650
Capital gifts	62,300	84,457
Capital additions included in accounts payable	228,997	761,218

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 And 2010

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.

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.

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

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 \$49,532 and \$21,650 for the years ended June 30, 2011 and 2010, respectively.

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

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

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 \$210,362 and \$157,305 at June 30, 2011 and 2010, 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

During the year ended June 30, 2010, 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, 2011 and 2010 is \$198,365 and \$481,065, 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

Certain 2010 amounts have been reclassified to conform to the 2011 presentation. These reclassifications 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, 2011 or 2010.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

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

3. Cash And Investments

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

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, 2011 or 2010.

At June 30, 2011 and 2010, the University had the following short-term investments (which have an original maturity date of one year or less):

	<u>2011</u>	<u>2010</u>
Certificates Of Deposit		
Kaw Valley State Bank	\$ —	\$ 4,000,000
CoreFirst Bank & Trust	46,000	46,000
U.S. Government Securities	6,999,557	—
	<u>\$ 7,045,557</u>	<u>\$ 4,046,000</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Investments

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

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2011 and 2010. The University currently does not maintain a formal investment policy that addresses interest rate or credit risks. However, management believes the University has complied with the State of Kansas' statutes and regulations regarding investment activity.

Endowment investments reported by the University at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Preferred stocks, carried at fair value (cost of \$12,500 for 2011 and 2010)	\$ 12,930	\$ 12,725
Mutual funds, carried at fair value (cost of \$244,363 and \$266,057 for 2011 and 2010, respectively)	255,917	257,755
Fixed income securities, at fair value	32,000	32,000
	<u>\$ 300,847</u>	<u>\$ 302,480</u>

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, 2011, the mutual funds were unrated and the fixed income securities were rated A by Standard & Poors.

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.

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, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Receivable from KBOR - beginning of year	\$ 761,375	\$ 3,093,884
Reimbursements received	<u>(761,375)</u>	<u>(2,332,509)</u>
Receivable from KBOR - end of year	<u>\$ —</u>	<u>\$ 761,375</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, 2011, are as follows:

<u>For The Year Ending June 30,</u>	<u>Principal</u>
2012	\$ 425,625
2013	425,625
2014	425,625
2015	425,625
2016	<u>425,625</u>
	<u>\$ 2,128,125</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The following is a summary of changes in the long-term loan payable to KBOR for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Loan payable to KBOR - beginning of year	\$ 2,553,750	\$ 2,979,375
Retired	(425,625)	(425,625)
Loan payable to KBOR - end of year	\$ 2,128,125	\$ 2,553,750
Loan payable to KBOR - due within one year	\$ 425,625	\$ 425,625

5. Receivable From Washburn University Foundation

Receivables from the Foundation consist of the University's participation in the investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, their share of the Foundations 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Contributions for scholarships and other activities	\$ 1,414,750	\$ 1,416,757
Held pledges receivable	12,491	26,969
Bequests receivable	494,564	—
Restricted endowment income	1,715,533	1,580,800
Unreimbursed operating expenses of the Foundation due to the University	277,760	293,817
University endowment funds managed by the Foundation (see activity below)	30,814,548	26,177,214
	\$ 34,729,646	\$ 29,495,557

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2011</u>	<u>2010</u>
Current receivable from		
Washburn University Foundation	\$ 277,760	\$ 293,817
Noncurrent receivable from		
Washburn University Foundation	<u>34,451,886</u>	<u>29,201,741</u>
	<u>\$ 34,729,646</u>	<u>\$ 29,495,557</u>

The University has transferred to the Washburn University Foundation certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Foundation. The activity of these assets at June 30, 2011 and 2010 and for the years then ended is as follows:

	<u>2011</u>	<u>2010</u>
Cumulative amount transferred, beginning of year	\$ 23,364,886	\$ 23,364,886
Post-transfer additions, beginning of year	1,202,939	853,565
Earnings added to corpus during the year	153,340	237,111
Gifts received during the year	<u>213,871</u>	<u>112,263</u>
End of year, at cost	24,935,036	24,567,825
Cumulative net unrealized gains	<u>5,879,512</u>	<u>1,609,389</u>
End of year, at fair value	<u>\$ 30,814,548</u>	<u>\$ 26,177,214</u>

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 \$12,910,862 and \$12,280,317 as of June 30, 2011 and 2010, 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, 2011 and 2010:

	2011				
	Balance - July 1, 2010	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2011
Capital assets, not being depreciated					
Land	\$ 1,444,449	\$ —	\$ (345)	\$ —	\$ 1,444,104
Works of art and historical treasures	2,508,014	59,100	—	—	2,567,114
Construction in progress	1,313,879	2,331,995	—	(1,482,832)	2,163,042
Total capital assets, not being depreciated	5,266,342	2,391,095	(345)	(1,482,832)	6,174,260
Capital assets, being depreciated					
Buildings, improvements and infrastructure	122,136,311	506,266	—	—	122,642,577
Furniture, fixtures and equipment	18,641,595	1,640,975	(44,670)	—	20,237,900
Computers and electronic equipment	13,980,077	728,742	(341,408)	—	14,367,411
Books and collections	19,255,627	359,263	—	—	19,614,890
Broadcasting tower, antenna and equipment	8,150,663	93,505	(39,236)	—	8,204,932
Vehicles	778,683	35,108	(5,700)	—	808,091
Total capital assets, being depreciated	182,942,956	3,363,859	(431,014)	—	185,875,801
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(49,525,835)	(4,072,873)	—	—	(53,598,708)
Furniture, fixtures and equipment	(11,341,796)	(1,321,062)	43,826	—	(12,619,032)
Computers and electronic equipment	(11,957,808)	(950,142)	341,108	—	(12,566,842)
Books and collections	(17,635,909)	(477,938)	—	—	(18,113,847)
Broadcasting tower, antenna and equipment	(5,816,521)	(538,522)	39,236	—	(6,315,807)
Vehicles	(606,364)	(68,481)	5,700	—	(669,145)
Total accumulated depreciation	(96,884,233)	(7,429,018)	429,870	—	(103,883,381)
Total capital assets being depreciated, net	86,058,723	(4,065,159)	(1,144)	—	81,992,420
Total capital assets	\$ 91,325,065	\$ (1,674,064)	\$ (1,489)	\$ (1,482,832)	\$ 88,166,680

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2010				
	Balance - July 1, 2009	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2010
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 depreciator	(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

The University had approximately \$1,420,000 and \$3,807,000, respectively, at June 30, 2011 and 2010 in commitments for building construction and other contracts.

WASHBURN UNIVERSITY OF TOPEKANotes 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, 2011 and 2010:

	Balance			Balance	Due Within
	July 1, 2010	Issued	Retired	Jun 30, 2011	One Year
Series 2004	\$ 12,820,000	\$ —	\$ 685,000	\$ 12,135,000	\$ 710,000
Series 2010	13,500,000	—	955,000	12,545,000	970,000
	<u>\$ 26,320,000</u>	<u>\$ —</u>	<u>\$ 1,640,000</u>	24,680,000	<u>\$ 1,680,000</u>
Add: unamortized premium on bonds				180,616	
Less: deferred costs of refunding Series 1999, 2001 & 2003 bonds				(1,052,903)	
Less: current portion				<u>(1,680,000)</u>	
				<u>\$ 22,127,713</u>	

	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				(1,176,288)	
Less: current portion				<u>(1,640,000)</u>	
				<u>\$ 23,704,711</u>	

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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). The total amount of amortization on this refunding for the year ended June 30, 2011 amounted to \$30,168; 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, 2011 and 2010 amounted to \$93,218 and \$96,235, 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 redeem the remaining defeased 1999 Series bonds.

Building Revenue Bonds – Series 1999

\$12,610,000 of the 1999 Series bonds were advance refunded on September 1, 2004 through the issuance of the 2004 Series bonds, as discussed above.

Building Revenue Bonds – Series 2001A And 2001B

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

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 \$710,000 to \$955,000 and mature between July 1, 2012 and July 1, 2019. The 2004 Series bonds bear interest at rates ranging from 3.10% 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 \$970,000 to \$1,255,000 and mature between July 1, 2012 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, 2011, including interest payments, are as follows:

<u>For the Year Ending June 30,</u>	<u>Refunding Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	1,875,000	708,960	2,583,960
2017-2021	9,330,000	2,489,535	11,819,535
2022-2026	4,480,000	948,835	5,428,835
2027-2029	1,980,000	197,850	2,177,850
	<u>\$ 24,680,000</u>	<u>\$ 7,678,740</u>	<u>\$ 32,358,740</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, 2011 and 2010 was 0.29% and 0.35%, respectively, and will reset on February 1, 2012. The annual requirements to repay the loan outstanding at June 30, 2011, including interest payments, are as follows:

<u>For the Year Ending June 30,</u>	<u>Loan Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 45,635	\$ 937	\$ 46,572
2013	45,635	805	46,440
2014	45,635	673	46,308
2015	45,635	540	46,175
2016	45,635	408	46,043
2017-2019	136,904	431	137,335
	<u>\$ 365,079</u>	<u>\$ 3,794</u>	<u>\$ 368,873</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, 2011 and 2010 was approximately \$3,833,000 and \$3,962,000, 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 2011 and 2010, 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, 2011 and 2010 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Claims payable - beginning of year	\$ 338,759	\$ 458,114
Incurred claims	5,445,043	5,448,223
Claim payments	<u>(5,552,382)</u>	<u>(5,567,578)</u>
Claims payable - end of year	<u>\$ 231,420</u>	<u>\$ 338,759</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 market 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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 2007. 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 7,445	\$ 12,707
Temporarily restricted	7,647,361	8,218,493
Permanently restricted	303,590	583,444
Agency	44,268	55,385
	<hr/>	<hr/>
Pledges receivable - end of year	\$ 8,002,664	\$ 8,870,029

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 1,296,531	\$ 1,466,336
Receivable in one to five years	1,200,423	1,863,783
Thereafter	5,505,710	5,539,910
	<u>8,002,664</u>	<u>8,870,029</u>
Less: allowance for uncollectible pledges	112,668	126,656
Less: unamortized discount at 3.2%	3,771,008	3,951,003
	<u>4,118,988</u>	<u>4,792,370</u>
Pledges receivable - end of year	\$ 4,118,988	\$ 4,792,370

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, 2011, total investments were \$138,379,059, of which \$121,054,233 were carried at fair value and \$17,324,826 were carried at cost. 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.

	<u>2011</u>	<u>2010</u>
Investments carried at fair value:		
Large cap equities	\$ 35,978,039	\$ 26,821,156
Foreign equities	29,377,257	21,913,977
U.S. government securities	11,744,483	11,593,709
Small cap equities	10,811,412	10,069,061
Mid cap equities	15,131,085	9,848,578
Hedge funds	4,514,147	7,324,685
Corporate and foreign bonds	7,145,758	4,046,596
Fixed income securities	—	2,685,065
Natural resources	2,548,161	1,897,923
Real estate	2,075,404	1,671,324
Short-term money market funds	1,152,049	659,669
Life insurance policies	409,783	408,274
Other	166,655	195,504
	<u>121,054,233</u>	<u>99,135,521</u>
Total	\$ 121,054,233	\$ 99,135,521

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 availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Foundation evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2011 and 2010, there were no significant transfers in or out of Levels 1, 2 or 3.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	2011			Total
	Level 1	Level 2	Level 3	
Investments	\$ 116,373,431	\$ —	\$ 4,680,802	\$ 121,054,233

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

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

	2011	2010
Beginning fair value	\$ 7,520,189	\$ 11,460,602
Net realized gain (loss)	(99,756)	428,646
Purchases and sales, net	(2,800,332)	(4,924,157)
Net change in unrealized depreciation	60,701	555,098
Ending fair value	\$ 4,680,802	\$ 7,520,189

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

Hedge funds at June 30, 2011 include \$4,514,147 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.

	2011	2010
Investments carried at cost:		
Private equity investments	\$ 13,511,052	\$ 12,665,182
Private real estate investments	3,813,774	4,061,139
Total	\$ 17,324,826	\$ 16,726,321

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, 2011.

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, 2011:

	<u>1 - 2 Years</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Private equity - Buyout	\$ 1,296,965	\$ (20,390)
Private equity - Venture capital	901,511	(65,826)
Private equity - Value added	2,165,845	(1,647,929)

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 \$30,500,000 to the private placement investment funds above. Unfunded commitments were approximately \$9,700,000 at June 30, 2011.

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, 2011 and 2010 were:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 5,407,289	\$ 1,716,664
Net realized gains	1,662,252	316,257
Change in net unrealized gains	10,761,793	6,865,777
Investment expense	<u>(193,450)</u>	<u>(255,319)</u>
	<u>\$ 17,637,884</u>	<u>\$ 8,643,379</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:

	2011			Total
	Level 1	Level 2	Level 3	
Perpetual trusts	\$ 4,988,344	\$ —	\$ —	\$ 4,988,344
Charitable remainder trusts	33,098	—	479,504	512,602
Charitable lead trust	3,597,572	—	—	3,597,572
	<u>\$ 8,619,014</u>	<u>\$ —</u>	<u>\$ 479,504</u>	<u>\$ 9,098,518</u>

	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>

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

	2011	2010
Beginning fair value	\$ 667,116	\$ 693,893
Change in value in beneficial interest	(187,612)	(26,777)
Ending fair value	<u>\$ 479,504</u>	<u>\$ 667,116</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, 2011 is recorded using the income approach based on calculating the present value of the annuity using published life expectancy tables and a discount rate.

A discount rate of 2.8% 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:

	2011					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 33,101,600	\$ 18,008,253	\$ —	\$ 51,109,853	\$ 27,012,482	\$ 78,122,335
Student support	656,327	395,805	—	1,052,132	110,315	1,162,447
Program support	9,405,468	7,954,744	—	17,360,212	3,387,127	20,747,339
Faculty support	3,311,487	1,713,691	—	5,025,178	331,443	5,356,621
Professorship/Chairs	5,324,476	1,737,524	—	7,062,000	5,077,811	12,139,811
Capital	1,477,675	1,941,736	—	3,419,411	68,200	3,487,611
Area of greatest need	4,898,593	9,157,209	10,980,954	25,036,756	7,276,501	32,313,257
	\$ 58,175,626	\$ 40,908,962	\$ 10,980,954	\$ 110,065,542	\$ 43,263,879	\$ 153,329,421

	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
	\$ 55,569,138	\$ 34,290,680	\$ 4,699,201	\$ 94,559,019	\$ 36,923,837	\$ 131,482,856

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.

The State of Kansas has enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority for the management of endowment funds.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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 \$3,748,553 as of June 30, 2011. 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 \$7,608,035.

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

Endowment net asset composition by type of fund:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (3,652,760)	\$ 21,698,193	\$ 49,298,044	\$ 67,343,477

Changes in endowment net assets for the year ended June 30, 2011:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (7,552,297)	\$ 17,015,103	\$ 47,030,744	\$ 56,493,550
Investment return:				
Investment income	29,035	3,580,057	150,734	3,759,826
Net appreciation	3,862,708	3,322,049	—	7,184,757
Total investment return	3,891,743	6,902,106	150,734	10,944,583
Contributions	—	—	2,116,566	2,116,566
Appropriation of endowment assets for expenditure	(444,709)	(1,766,513)	—	(2,211,222)
Other changes:				
Release from time restriction	452,503	(452,503)	—	—
Endowment net assets, end of year	\$ (3,652,760)	\$ 21,698,193	\$ 49,298,044	\$ 67,343,477

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

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

	2011	2010
Permanently restricted endowment net assets	\$ 49,298,044	\$ 47,030,744
Permanently restricted pledges receivable	259,620	508,710
Permanently restricted beneficial interests in trusts	8,617,962	8,029,684
	\$ 58,175,626	\$ 55,569,138

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 \$171,858 and \$164,407 for the years ended June 30, 2011 and 2010, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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.

As of June 30, 2011 and 2010, the Foundation owes the University \$277,823 and \$287,531, respectively, for amounts related to outstanding billings on private gift funds and reimbursement of operating expenses.

During 2011 and 2010, the Foundation provided direct support in the amount of \$6,434,094 and \$6,654,379, respectively, 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 2011 and 2010.

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>2011</u>	<u>2010</u>
Fair market value of agency accounts - beginning of year	\$ 36,923,837	\$ 34,920,659
Contributions	1,032,682	609,439
Non-gift income and transfers	32,140	139,583
Net investment income	8,480,434	4,377,201
Distributions	(2,107,616)	(2,067,434)
Expense allocation for administration	(1,097,598)	(1,055,611)
	<hr/>	<hr/>
Fair market value of agency accounts - end of year	\$ 43,263,879	\$ 36,923,837

Subsequent Events

The Foundation evaluated events and transactions occurring subsequent to June 30, 2011 through September 26, 2011, 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).

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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.

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, 2011 and 2010 were:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 511,940	\$ 148,159
Net realized gains	183,210	32,966
Net unrealized gains	1,073,217	713,171
	<u>\$ 1,768,367</u>	<u>\$ 894,296</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

General and administrative expense includes \$244,171 and \$242,059 paid to the Foundation for expenses related to the administration of the funds for the years ended June 30, 2011 and 2010, 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, 2011 Page 1 Of 2

<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	\$ 48,850,450
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education	84.007	206,129
Federal Work-Study Program	U.S. Department of Education	84.033	291,753
Federal Perkins Loan Program	U.S. Department of Education	84.038	973,599
Federal Pell Grant Program	U.S. Department of Education	84.063	9,422,432
Academic Competitiveness Grants	U.S. Department of Education	84.375	154,605
National Science & Mathematics Access to Retain Talent (SMART) Grants	U.S. Department of Education	84.376	96,000
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education	84.379	31,000
Washburn Institute of Technology			
Federal Direct Student Loans	U.S. Department of Education	84.268	1,531,535
Federal Work-Study Program	U.S. Department of Education	84.033	11,740
Federal Pell Grant Program	U.S. Department of Education	84.063	963,745
Total Student Financial Aid Cluster			<u>62,532,988</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	70,290
Kansas Biomedical Research New Faculty Recruitment	U.S. Department of Health and Human Services / University of Kansas Medical Center	93.389	14,276
Total Research And Development Cluster			<u>84,566</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2011

Page 2 Of 2

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Other			
Washburn University			
State Fiscal Stabilization Fund - ARRA General fund	U.S. Department of Education/ Kansas Board of Regents	84.394	\$ 622,555
Perkins III Program Improvement	U.S. Department of Education/ Kansas Board of Regents	84.048	101,458
Trans-Atlantic Double Degree in Nursing	U.S. Department of Education	84.116J	96,048
Ready to Learn	U.S. Department of Education/ Corporation for Public Broadcasting	84.295	10,418
Ready to Learn - base	U.S. Department of Education/ Kansas Department of Social and Rehabilitation Services	84.295	50,000
Ready to Learn - ARRA	U.S. Department of Education/ Kansas Department of Social and Rehabilitation Services	84.295	77,358
PBS TeacherLine	U.S. Department of Education/ Public Broadcasting Service	84.286A	13,484
Small Business Development Center	Small Business Administration/ Fort Hays State University	59.037	74,844
AmeriCorps *VISTA Project Support - base	Corporation for National Service	94.013	45,011
AmeriCorps *VISTA Project Support - ARRA	Corporation for National Service	94.013	12,379
Astrophysical Ionizing Photon Events Primary Productivity of Earth's Oceans	NASA	43.AAA	138,480
Nursing: HRSA Traineeship	U.S. Department of Health and Human Services - HRSA Department	93.358	12,076
Law School: Georgia Project	USAID passed-through the East-West Management Institute	98.011	90,471
Washburn Institute of Technology			
State Fiscal Stabilization Fund - ARRA Capital projects	U.S. Department of Education/ Kansas Board of Regents	84.394	133,725
Perkins III Program Improvement and Perkins Reserve Fund	U.S. Department of Education/ Kansas Board of Regents	84.048	151,587
Total Other			<u>1,629,894</u>
Total			<u>\$ 64,247,448</u>

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2011

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. The federal student loan programs listed in the schedule of expenditures of federal awards are administered directly by Washburn University of Topeka and balances and transactions relating to these programs are included in the Washburn University of Topeka's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule.
3. 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.AAA	\$ 31,559
Astrophysical Ionizing Photon Events & Primary Productivity on Earth's Oceans	Smithsonian Institute	43.AAA	75,834

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

Board of Regents
Washburn University of Topeka
Topeka, Kansas

We have audited the financial statements of Washburn University of Topeka and its discretely presented component units as of and for the year ended June 30, 2011, which collectively comprise its basic financial statements and have issued our report thereon dated December 5, 2011, 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 November 30, 2011.

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 5, 2011

**Independent Auditors' Report On Compliance
With Requirements That Could Have A Direct And
Material Effect On Each Major Program And On
Internal Control Over Compliance In Accordance
With OMB Circular A-133**

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, 2011. 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, 2011. 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 2011-1.

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. However, we identified a certain deficiency in internal controls over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2011-1. A significant deficiency in internal controls over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on the response

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 5, 2011

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For The Year Ended June 30, 2011

Summary of Auditor's Results

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

2. The independent auditors' 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 auditors' 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
State Fiscal Stabilization Fund – ARRA	84.394

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, 2011

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

Finding 2011-1

**Federal Award No. 84.268, 84.007, 84.033, 84.038, 84.063, 84.375, 84.376, 84.379, 84.394
Student Financial Aid Cluster**

Criteria: For all students receiving federal direct loans that leave due to graduation or withdrawal, the University is required to attempt to conduct an exit interview within 30 days of the student leaving the University.

Condition: Three students from the fall population of 40 tested (20 fall and 20 spring) had their graduation dates back dated in February to the December graduation date. Therefore these students were not sent information for exit interviews, and interviews were not conducted or attempted. The current process in place provides for exit interviews to be conducted after the University's graduation dates in the proper time required. Since these students had their status of graduated back dated to the previous graduation period, the University's controls did not capture these students and exit interviews were not conducted timely.

Effect: Students are not aware of their obligations in relation to the loans that were accepted during their tenure at the University.

Questioned Costs: None.

Cause: The Financial Aid Office only conducts exit interviews for graduating students based on the University's graduation dates. This process does not take into consideration graduating students with back-dated graduation dates. These students would not have their exit interviews conducted until after the next scheduled graduation date. Therefore, exit interviews would not be conducted in the proper time frame.

Recommendation: We recommend that the University review and consider changes to its internal controls over exit interviews.

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) For The Year Ended June 30, 2011

Corrective Action Plan:

As a result of this finding, the Financial Aid Office has completed the following:

1. Based on discussions with the auditors, the Financial Aid Office and the Registrar's Office we immediately implemented the following solution:
 - a. The Registrar's Office will send notification of backdating degrees to the Financial Aid Office via e-mail. The Financial Aid Office will run the exit counseling process every 30 days to meet the notification requirements of exit loan counseling.
 - b. Additionally, the Financial Aid Office reviewed and updated the population selection utilized in the exit counseling process to ensure the accurate capture of the appropriate students.
2. Reviewed federal guidelines
 - a. The Financial Aid Office reviewed the Federal regulations, the Federal Student Aid Handbook, conferred with other institutions within the State of Kansas, and sought clarification with a Department of Education training officer.
 - b. The Financial Aid Office believes the solution is to end the practice of backdating degrees.

The Financial Aid Office, the Registrar's Office and the Executive Director of Enrollment Management will be working in conjunction with Academic Affairs to implement a more effective long-term solution.

Completion Date:

Further discussion is occurring between the Financial Aid Office, Registrar Office and the Office of Academic Affairs with a goal of preventing the backdating of degrees by the 2012-2013 aid year. The Financial Aid Office realizes a limited number of extreme and rare instances may occur i.e. clerical error. In such instances the University Registrar Office will notify the Financial Aid Office when an exception arises.

Contact Person and Title: Gail Palmer, Director of Financial Aid

WASHBURN UNIVERSITY OF TOPEKA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For The Year Ended June 30, 2011

Finding No. 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.

Status: Management is in the process of writing up a record retention policy addressing the requirements of Circular A-110.



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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 5, 2011

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 1 - REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET

General Fund

For The Year Ended June 30, 2011

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 42,040,723	\$ 43,132,590	\$ 1,091,867
Income from endowment fund	771,934	780,302	8,368
Sales tax and other taxes	17,757,719	17,757,719	—
State aid	11,058,258	11,087,963	29,705
Other income	3,683,352	3,465,657	(217,695)
Use of reserves	2,088,333	—	(2,088,333)
Transfer from smoothing fund	501,000	—	(501,000)
Auxiliary enterprises	6,929,458	6,499,749	(429,709)
Total Revenues	<u>84,830,777</u>	<u>82,723,980</u>	<u>(2,106,797)</u>
Expenditures			
Instruction	35,255,959	33,678,414	(1,577,545)
Public service, academic support and research	14,424,277	12,971,702	(1,452,575)
Student services	8,247,112	7,639,454	(607,658)
Institutional support	6,683,287	5,982,778	(700,509)
Maintenance of plant	7,349,640	6,694,712	(654,928)
Scholarships and fellowships	3,041,859	3,041,607	(252)
Other expenses and transfers	2,086,492	1,749,817	(336,675)
Contingency	3,000,000	—	(3,000,000)
Auxiliary enterprises	7,614,458	6,295,831	(1,318,627)
Total Expenditures	<u>87,703,084</u>	<u>78,054,315</u>	<u>\$ (9,648,769)</u>
Increase (Decrease) In Fund Balance	<u>\$ (2,872,307)</u>	4,669,665	
Fund Balance - Beginning Of Year		<u>13,703,678</u>	
Fund Balance - End Of Year		<u>\$ 18,373,343</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Debt Retirement And Construction Fund
For The Year Ended June 30, 2011**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,625,304	\$ 3,516,740	\$ (108,564)
Fees for parking improvements	25,038	25,038	—
Investment income	15,000	2,036	(12,964)
Transfer from other funds - debt service	2,126,425	2,847,702	721,277
Total Revenues	<u>5,791,767</u>	<u>6,391,516</u>	<u>599,749</u>
Expenditures			
Bond principal	1,640,000	1,640,000	—
Interest and commissions on bonds	938,580	938,580	—
Transfers for construction, repairs or equipping of new or existing buildings	2,725,038	3,028,506	303,468
State deferred maintenance loan repayment	425,625	425,625	—
Other	25	6,478	6,453
Contingency	325,000	—	(325,000)
Total Expenditures	<u>6,054,268</u>	<u>6,039,189</u>	<u>\$ (15,079)</u>
Decrease In Fund Balance	<u>\$ (262,501)</u>	352,327	
Fund Balance - Beginning Of Year		<u>998,582</u>	
Fund Balance - End Of Year		<u>\$ 1,350,909</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Employee Benefits Contribution Fund
For The Year Ended June 30, 2011**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 1,000	\$ —	\$ (1,000)
Expenditures			
Payment to the general fund	1,000	—	\$ (1,000)
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, 2011**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 354,272	\$ 337,760	\$ (16,512)
Investment income	5,000	392	(4,608)
Total Revenues	<u>359,272</u>	<u>338,152</u>	<u>(21,120)</u>
Expenditures			
Insurance premium	400,500	249,667	(150,833)
Litigation expense	500,000	78	(499,922)
Miscellaneous expense	5,000	17,213	12,213
Contingency	350,000	—	(350,000)
Total Expenditures	<u>1,255,500</u>	<u>266,958</u>	<u>\$ (988,542)</u>
Increase (Decrease) In Fund Balance	<u>\$ (896,228)</u>	71,194	
Fund Balance - Beginning Of Year		<u>1,103,078</u>	
Fund Balance - End Of Year		<u>\$ 1,174,272</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Sales Tax Smoothing Fund
For The Year Ended June 30, 2011**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ 400,000	\$ 488,880	\$ 88,880
Expenditures			
Transfer to building construction fund	—	—	—
Transfer to general fund	500,000	—	—
Contingency	332,000	—	(332,000)
Total Expenditures	832,000	—	\$ (832,000)
Decrease In Fund Balance	<u>\$ (432,000)</u>	488,880	
Fund Balance - Beginning Of Year		<u>1,930,006</u>	
Fund Balance - End Of Year		<u>\$ 2,418,886</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Capital Improvement Fund
For The Year Ended June 30, 2011**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ —
Interest income	—	—	—
Transfer from building construction fund	—	—	—
Transfer from general fund	150,000	—	(150,000)
Total Revenues	<u>1,040,000</u>	<u>890,000</u>	<u>(150,000)</u>
Expenditures			
Capital expenses	275,000	(785)	(275,785)
Non-mandatory transfers	890,000	890,000	—
Contingency	100,000	—	(100,000)
Total Expenditures	<u>1,265,000</u>	<u>889,215</u>	<u>\$ (375,785)</u>
Decrease In Fund Balance	<u>\$ (225,000)</u>	785	
Fund Balance - Beginning Of Year		<u>275,217</u>	
Fund Balance - End Of Year		<u>\$ 276,002</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 7 - REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET

Washburn Institute Of Technology For The Year Ended June 30, 2011

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 1,168,697	\$ 1,891,766	\$ 723,069
Tuition - participating districts	1,915,112	1,944,188	29,076
Vocational state aid	2,342,553	2,529,895	187,342
Vocational capital outlay	135,000	136,644	1,644
Interest on investments	50,000	39,563	(10,437)
Other sales and services	375,000	211,690	(163,310)
Use of reserves	1,500,000	—	(1,500,000)
Total Revenues	7,486,362	6,753,746	(732,616)
Expenditures			
Instruction	3,815,956	3,350,589	(465,367)
Academic support	447,663	597,785	150,122
Student services	676,368	726,895	50,527
Institutional support	163,971	189,347	25,376
Maintenance of plant	1,497,404	977,154	(520,250)
Other expenses and transfers	885,000	150,266	(734,734)
Contingency	800,000	—	(800,000)
Total Expenditures	8,286,362	5,992,036	\$ (2,294,326)
Increase (Decrease) In Fund Balance	\$ (800,000)	761,710	
Fund Balance - Beginning Of Year		3,369,559	
Fund Balance - End Of Year		\$ 4,131,269	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES – 2004 BOND ISSUE For The Year Ended June 30, 2011 And Since Project Inception

	For The Year Ended June 30, 2011	Project Inception To June 30, 2011
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 14,250,000
Transfer for debt service	564,875	3,960,905
Original issue premium on bonds	—	294,915
Total Revenues And Other Additions	564,875	18,505,820
Expenditures And Other Deductions		
Bond issuance costs	—	277,233
Bond insurance	—	154,096
Amount transferred to escrow account	—	14,111,355
Interest expense paid	564,875	3,960,905
Total Expenditures And Other Deductions	564,875	18,503,589
Cash Receipts Over (Under) Expenditures	—	\$ 2,231
Cash And Investments - Beginning Of Year	2,231	
Cash And Investments - End Of Year	\$ 2,231	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 9 - CASH RECEIPTS AND EXPENDITURES – 2010 BOND ISSUE For The Year Ended June 30, 2011 And Since Project Inception

	For The Year Ended June 30, 2011	Project Inception To June 30, 2011
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 13,500,000
Transfer for debt service	373,705	373,705
Original issue premium on bonds	—	16,170
Total Revenues And Other Additions	<u>373,705</u>	<u>13,889,875</u>
Expenditures And Other Deductions		
Bond issuance costs	—	202,380
Bond insurance	—	95,210
Amount paid to refund Series 2001A, 2001B and 2003 bonds	—	13,210,000
Interest expense paid	373,705	373,705
Total Expenditures And Other Deductions	<u>373,705</u>	<u>13,881,295</u>
Cash Receipts Over (Under) Expenditures	—	<u>\$ 8,580</u>
Cash And Investments - Beginning Of Year	<u>8,580</u>	
Cash And Investments - End Of Year	<u>\$ 8,580</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 10 - OPERATIONS OF THE LIVING LEARNING CENTER For The Year Ended June 30, 2011

Revenues

Room rental	\$ 1,314,163
Less: vacancy loss	(94,884)
Net income from room rental	<u>1,219,279</u>
Receipts from coin machines, forfeited initial pay, guests, etc.	84,453
Reimbursement - employee benefits	<u>14,645</u>
Total Revenues	<u><u>1,318,377</u></u>

Expenditures

Salaries, director and resident assistants	83,126
Salaries, custodial	108,847
Benefits	14,645
Scholarships	26,656
Insurance	18,382
Utilities, telephone and cable	288,178
Repairs and operating supplies	20,095
Laundry	2,267
Contracted services	<u>9,586</u>
Total Expenditures	<u><u>571,782</u></u>

Net Operating Income	746,595
Debt Service - Transfer To Capital Improvement Fund	<u>(500,000)</u>
Excess Of Cash Receipts Over Expenditures	<u><u>\$ 246,595</u></u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 11 - BLENDING STATEMENT OF NET ASSETS

June 30, 2011

Page 1 Of 2

	Washburn University	Washburn Tech	Blended
Assets			
Current Assets			
Cash and cash equivalents	\$ 24,325,618	\$ 5,000,228	\$ 29,325,846
Short-term equivalents	7,045,557	—	7,045,557
Taxes receivable	3,434,792	—	3,434,792
Accounts receivable, net of allowance	3,337,159	226,701	3,563,860
Receivable from Washburn University Foundation	255,583	22,177	277,760
Other current receivables	300,000	—	300,000
Inventories	766,734	—	766,734
Other assets	1,168,149	(123,186)	1,044,963
Total Current Assets	40,633,592	5,125,920	45,759,512
Noncurrent Assets			
Perkins loans receivable	903,752	—	903,752
Receivable from WEA	34,451,886	—	34,451,886
Equity in the net assets of WEA	12,910,862	—	12,910,862
Endowment investments	300,847	—	300,847
Bond issuance costs, net of accumulated amortization	491,617	—	491,617
Capital assets, net	86,634,913	1,531,767	88,166,680
Total Noncurrent Assets	135,693,877	1,531,767	137,225,644
Total Assets	\$ 176,327,469	\$ 6,657,687	\$ 182,985,156

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 11 - BLENDING STATEMENT OF NET ASSETS

June 30, 2011

Page 2 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 3,908,503	\$ 211,630	\$ 4,120,133
Accrued compensated absences, current portion	1,402,701	101,893	1,504,594
Accrued postemployment benefits, current portion	144,328	—	144,328
Deferred revenue	1,616,206	(100)	1,616,106
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	1,680,000	—	1,680,000
Deposits held in custody for others	231,741	—	231,741
Total Current Liabilities	<u>9,454,739</u>	<u>313,423</u>	<u>9,768,162</u>
Non-current Liabilities			
Accrued compensated absences	94,076	4,669	98,745
Accrued postemployment benefits	54,037	210,362	264,399
Loan payable	319,444	—	319,444
Loan with Kansas Board of Regents	1,702,500	—	1,702,500
Building revenue bonds	22,127,713	—	22,127,713
Total Non-current Liabilities	<u>24,297,770</u>	<u>215,031</u>	<u>24,512,801</u>
Total Liabilities	<u>33,752,509</u>	<u>528,454</u>	<u>34,280,963</u>
Net Assets			
Invested in capital assets, net of related debt	60,484,754	1,381,009	61,865,763
Restricted			
Nonexpendable			
Endowments	31,021,929	—	31,021,929
Expendable			
Scholarships	14,424,503	174,994	14,599,497
Loans	1,418,174	—	1,418,174
Self-insurance	2,312,916	—	2,312,916
Capital projects	5,246,337	287,591	5,533,928
Debt service	1,217,008	—	1,217,008
Other	3,175,590	199,151	3,374,741
Unrestricted	23,273,749	4,086,488	27,360,237
Total Net Assets	<u>142,574,960</u>	<u>6,129,233</u>	<u>148,704,193</u>
Total Liabilities And Net Assets	<u>\$ 176,327,469</u>	<u>\$ 6,657,687</u>	<u>\$ 182,985,156</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 12 - BLENDING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2011

Page 1 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Operating Revenues			
Tuition and fees	\$ 27,461,111	\$ 3,835,979	\$ 31,297,090
Federal grants and contracts	—	3,147	3,147
State and local grants and contracts	10,000	7,161	17,161
Sales and services of educational departments	1,051,447	140,961	1,192,408
Auxiliary enterprises			
Residential Living	2,216,965	—	2,216,965
Memorial Union	3,704,772	—	3,704,772
Other operating revenues	314,784	73,456	388,240
Total Operating Revenues	<u>34,759,079</u>	<u>4,060,704</u>	<u>38,819,783</u>
Operating Expenses			
Educational and general			
Instruction	32,907,051	3,514,947	36,421,998
Research	216,401	—	216,401
Public service	3,608,311	—	3,608,311
Academic support	9,476,696	598,759	10,075,455
Student services	8,004,881	736,340	8,741,221
Institutional support	5,573,078	189,347	5,762,425
Operatings and maintenance of plant	6,047,425	966,158	7,013,583
Depreciation	7,248,138	180,880	7,429,018
Financial aid	996,686	987,009	1,983,695
Auxiliary enterprises			
Residential Living	1,151,594	—	1,151,594
Memorial Union	3,711,497	—	3,711,497
Self-insurance claims, net of premiums	4,473,858	—	4,473,858
Total Operating Expenses	<u>83,415,616</u>	<u>7,173,440</u>	<u>90,589,056</u>
Operating Income (Loss)	<u>(48,656,537)</u>	<u>(3,112,736)</u>	<u>(51,769,273)</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 12 - BLENDING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For The Year Ended June 30, 2011

Page 2 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Nonoperating Revenues (Expenses)			
State appropriations	\$ 11,331,313	\$ 2,666,539	\$ 13,997,852
Local appropriations	22,869,273	—	22,869,273
Federal grants and contracts	12,401,076	1,125,726	13,526,802
State and local grants and contracts	1,070,278	137,418	1,207,696
Nongovernmental grants and contracts	13,652	—	13,652
Gifts	2,107,998	42,105	2,150,103
Investments income	10,107,263	58,023	10,165,286
Interest on indebtedness	(1,059,928)	—	(1,059,928)
Other nonoperating expenses	(549,854)	(110,729)	(660,583)
Total Nonoperating Revenues (Expenses)	<u>58,291,071</u>	<u>3,919,082</u>	<u>62,210,153</u>
Loss Before Other Revenues	9,634,534	806,346	10,440,880
Capital Grants - Federal	1,934	133,725	135,659
Capital Grants And Gifts - Non-Federal	1,036,807	—	1,036,807
Additions To Permanent Endowments	<u>213,871</u>	<u>—</u>	<u>213,871</u>
Change In Net Assets	10,887,146	940,071	11,827,217
Net Assets - Beginning Of Year	<u>131,687,814</u>	<u>5,189,162</u>	<u>136,876,976</u>
Net Assets - End Of Year	<u>\$ 142,574,960</u>	<u>\$ 6,129,233</u>	<u>\$ 148,704,193</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 13 - BLENDING STATEMENT OF CASH FLOWS For The Year Ended June 30, 2011

	Washburn University	Washburn Tech	Blended
Cash Flows From Operating Activities			
Tuition and fees	\$ 28,621,278	\$ 3,835,774	\$ 32,457,052
Grants and contracts	(7,426)	10,379	2,953
Auxiliary enterprise charges			
Residential Living	2,293,218	—	2,293,218
Memorial Union	3,698,875	—	3,698,875
Sales and services of educational departments	1,052,864	130,174	1,183,038
Collections of loans issued to students	203,463	—	203,463
Other receipts	385,417	73,456	458,873
Self-insurance premiums	417,943	—	417,943
Payments to suppliers	(13,918,190)	(1,473,623)	(15,391,813)
Payments to employees	(57,467,781)	(4,594,450)	(62,062,231)
Payments for scholarships and fellowships	(996,686)	(987,009)	(1,983,695)
Interfund transactions	(583,990)	583,990	—
Loans issued to students	(58,004)	—	(58,004)
Payments for self-insurance claims and administrative fees	(6,657,885)	—	(6,657,885)
Net Cash Used In Operating Activities	(43,016,904)	(2,421,309)	(45,438,213)
Cash Flows From Investing Activities			
Proceeds from sales and maturities of investments	4,000,000	—	4,000,000
Interest on investments	4,474,601	42,102	4,516,703
Purchase of investments	(6,999,557)	—	(6,999,557)
Net Cash Provided By Investing Activities	1,475,044	42,102	1,517,146
Cash Flows From Noncapital Financing Activities			
State appropriations	11,331,313	2,666,539	13,997,852
Local appropriations	23,014,515	—	23,014,515
Gifts and grants for other than capital purposes	16,093,217	1,042,299	17,135,516
Cash received from Topeka Public Schools	—	100,000	100,000
Federal Family Education loan receipts	52,303,455	1,994,585	54,298,040
Federal Family Education loan disbursements	(52,391,307)	(1,955,159)	(54,346,466)
Agency account transactions	(11,830)	—	(11,830)
Net Cash Provided By Noncapital Financing Activities	50,339,363	3,848,264	54,187,627
Cash Flows From Capital And Related Financing Activities			
Proceeds from capital loans	761,375	—	761,375
Capital grants and gifts received	1,022,350	283,967	1,306,317
Purchase of capital assets	(4,976,024)	(617,056)	(5,593,080)
Proceeds from sale of capital assets	64,000	—	64,000
Principal paid on capital loans	(471,260)	—	(471,260)
Principal paid on long-term debt	(1,640,000)	—	(1,640,000)
Interest paid on long-term debt	(941,395)	—	(941,395)
Net Cash Used In Capital And Related Financing Activities	(6,180,954)	(333,089)	(6,514,043)
Increase In Cash And Cash Equivalents	2,616,549	1,135,968	3,752,517
Cash And Cash Equivalents - Beginning Of Year	21,709,069	3,864,260	25,573,329
Cash And Cash Equivalents - End Of Year	\$ 24,325,618	\$ 5,000,228	\$ 29,325,846