
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
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 KTWU Television (KTWU), a Public Telecommunications Entity Operated by Washburn University of Topeka (the University) 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KTWU's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of KTWU are intended to present the financial position and the changes in the financial position and cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of KTWU. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2011 and 2010 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTWU as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

RubinBrown LLP

Overland Park, Kansas
November 22, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of KTWU's annual financial report presents a discussion and analysis of the station's financial performance during the year ended June 30, 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.

Financial Highlights Of The Fiscal Year Ended June 30, 2011

- KTWU ended the year with total assets of \$5,070,583 and liabilities of \$521,447 compared to \$5,246,391 and \$569,816 respectively, at June 30, 2010. Net assets, which represent the residual interest in KTWU's assets after liabilities are deducted, were \$4,549,136 at June 30, 2011. This is a decrease of \$127,439 over last year's net assets of \$4,676,575.
- Operating revenues were \$342,976 and operating expenses were \$4,064,495, resulting in a loss from operations of \$3,721,519. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 34 does not present a complete picture of KTWU's operation until combined with non-operating revenues. Non-operating revenues, including the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB), were \$3,594,080, which, when combined with other revenue sources and the loss from operations, resulted in an overall decrease of \$127,439 in net assets, compared to a decrease of \$509,680 for the year ended June 30, 2010.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

Financial Highlights Of The Fiscal Year Ended June 30, 2010

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

The Statement Of Net Assets

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

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

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

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Management's Discussion And Analysis (Continued)

Condensed Statements Of Net Assets As Of June 30, 2011 Through 2009

	2011	2010	2009
Assets			
Current assets	\$ 565,267	\$ 320,329	\$ 508,858
Other assets	1,233,781	1,154,447	1,039,810
Capital assets, net	3,271,535	3,771,615	4,333,549
	<u>5,070,583</u>	<u>5,246,391</u>	<u>5,882,217</u>
Liabilities			
Current liabilities	202,004	204,738	285,249
Noncurrent liabilities	319,443	365,078	410,713
	<u>521,447</u>	<u>569,816</u>	<u>695,962</u>
Total Net Assets	<u>4,549,136</u>	<u>4,676,575</u>	<u>5,186,255</u>
Net Assets Consists Of			
Invested in capital assets, net of debt	2,906,457	3,360,902	4,241,824
Restricted - nonexpendable	857,321	857,321	857,321
Restricted - expendable	257,039	302,145	392,798
Unrestricted	528,319	156,207	(305,688)
Total Net Assets	<u>\$ 4,549,136</u>	<u>\$ 4,676,575</u>	<u>\$ 5,186,255</u>

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

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$565,267, \$320,329 and \$508,858, respectively, at June 30, 2011, 2010 and 2009. Total current assets at June 30, 2011, 2010 and 2009 covered current liabilities 2.8 times, 1.5 times and 1.8 times, respectively, an indicator of excellent liquidity.

Capital assets, which represented 64.5, 71.9 and 73.7 percent of total assets at June 30, 2011, 2010 and 2009, respectively, represent the asset's historical cost net of accumulated depreciation.

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

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

The Statement Of Revenues, Expenses And Changes In Net Assets

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

Generally speaking, operating revenues are received for providing goods and services to the viewers and various constituencies of KTWU. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of KTWU. Non-operating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and the CPB community service and interconnection grants are non-operating because they represent revenue provided to KTWU for which no goods or services are provided by KTWU to the state or to CPB.

The statements below provide an illustration of revenues by source (both operating and non-operating), which were used to fund KTWU's operating activities for the years ended June 30, 2011, 2010 and 2009.

Condensed Statement Of Revenues, Expenses And Changes In Net Assets As Of June 30, 2011 Through 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 342,976	\$ 317,462	\$ 263,350
Operating expenses	4,064,495	4,208,458	4,202,896
	(3,721,519)	(3,890,996)	(3,939,546)
Nonoperating revenues and expenses	3,594,080	3,199,895	2,770,614
Loss before other revenues	(127,439)	(691,101)	(1,168,932)
Other revenues	—	181,421	356,317
Decrease in net assets	(127,439)	(509,680)	(812,615)
Net assets at beginning of year	4,676,575	5,186,255	5,998,870
Net assets at end of year	\$ 4,549,136	\$ 4,676,575	\$ 5,186,255

KTWU TELEVISION

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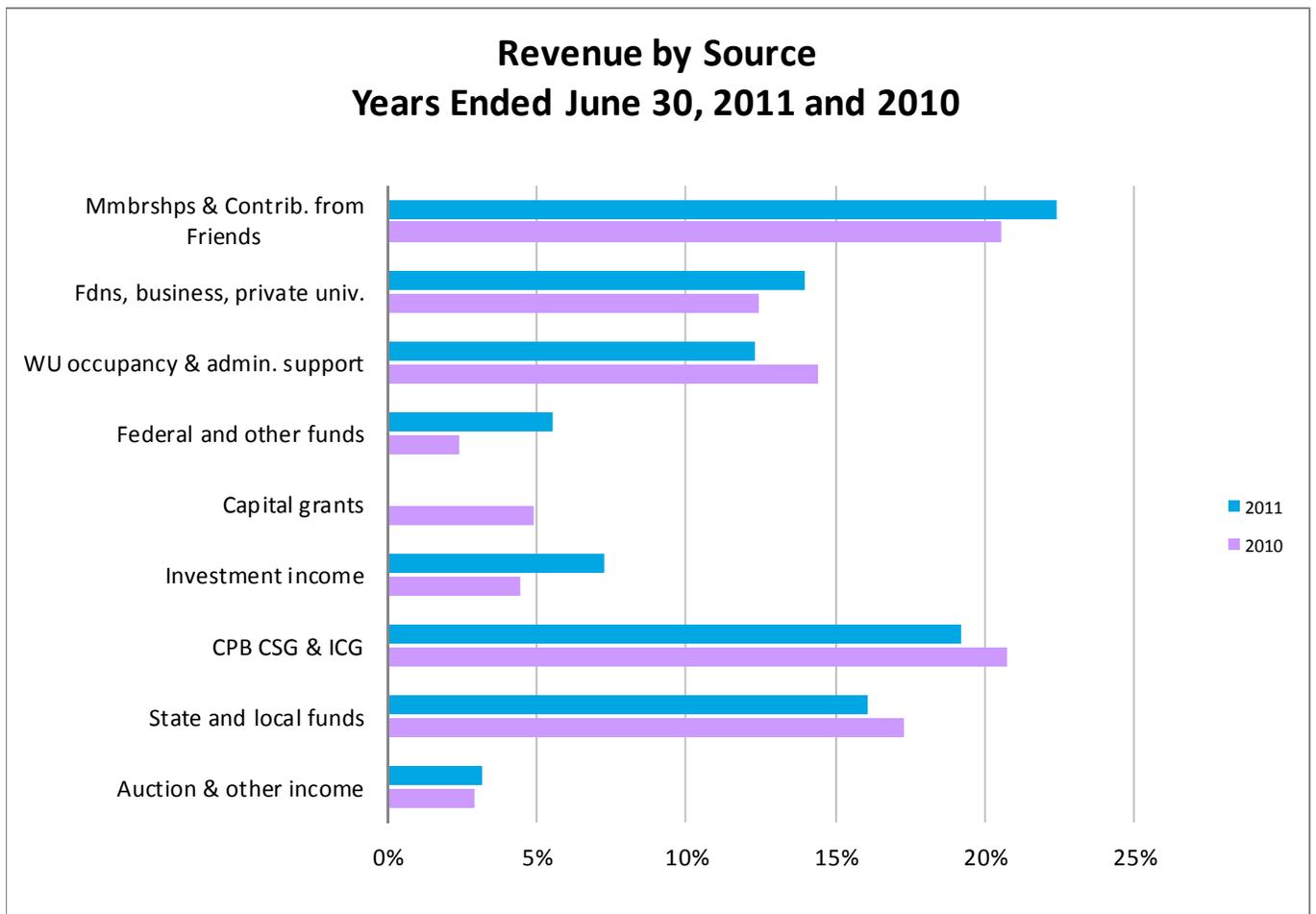
Management's Discussion And Analysis (Continued)

Fiscal Year 2011 Compared To Fiscal Year 2010

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$127,439 during the year ended June 30, 2011 compared to a decrease in net assets of \$509,680 during fiscal year 2010. Some highlights of the information in these statements follows.

Revenues

The following graphic illustration of revenues by source (both operating and non-operating) represents revenues used to fund KTWU's operating activities for the years ended June 30, 2011 and 2010.



KTWU TELEVISION

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Operated By Washburn University Of Topeka

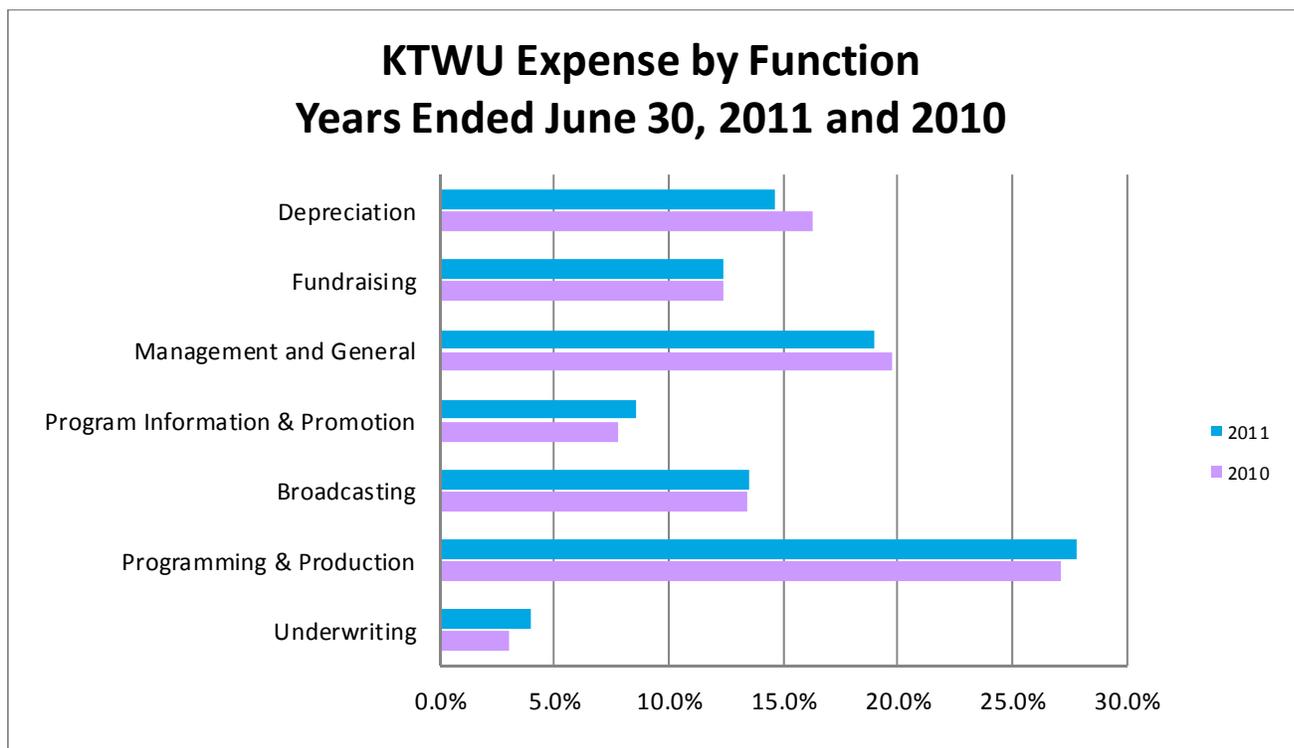
Management's Discussion And Analysis (*Continued*)

The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 41.6 percent of KTWU's revenue for the year ended June 30, 2011 compared to 41.3 percent for the year ended June 30, 2010. State and local funds accounted for 16.1 percent of revenue for the year ended June 30, 2011 compared to 17.3 percent for the year ended June 30, 2010.

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

Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2011 and 2010.



KTWU TELEVISION

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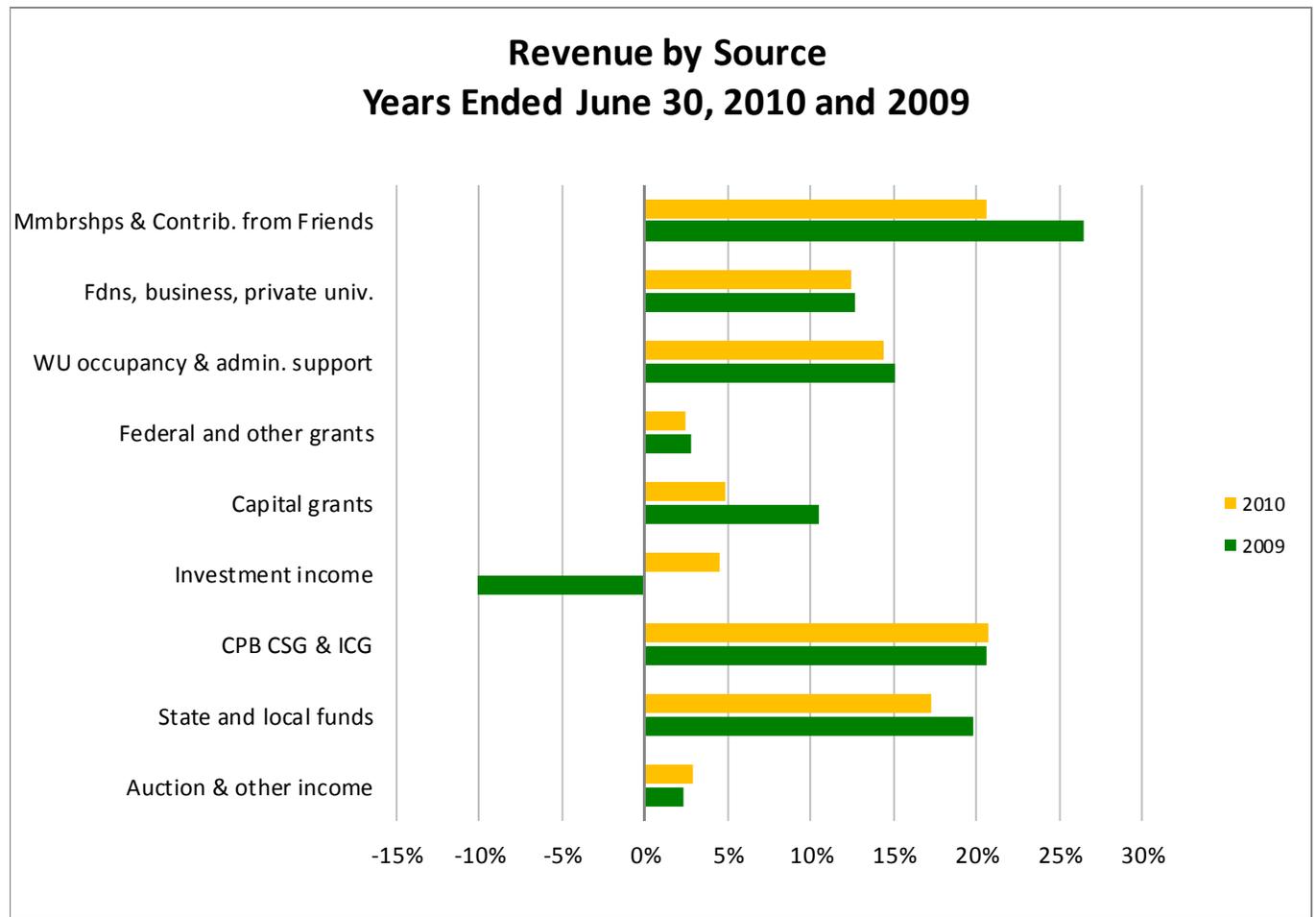
Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

Program services expenses (programming and production, broadcasting, and program information and promotion) account for 49.9 percent of KTWU's expenses for the year ended June 30, 2011 compared to 48.3 percent for the year ended June 30, 2010. Support services expenses (management and general, fundraising, underwriting and depreciation) account for 50.1 percent of expenses for the year ended June 30, 2011 compared to 51.7 percent for the year ended June 30, 2010. KTWU's effort to control expenses is reflected in the percentage decrease in support services expenses and percentage increase in program services expenses as well as a 3.4 percent decrease in total expenses for the year ended June 30, 2011.

Fiscal Year 2010 Compared To Fiscal Year 2009

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$509,680 during 2010 compared to a decrease of \$812,615 during 2009. Some highlights of the information are provided in the statements that follow.



KTWU TELEVISION

A Public Telecommunications Entity

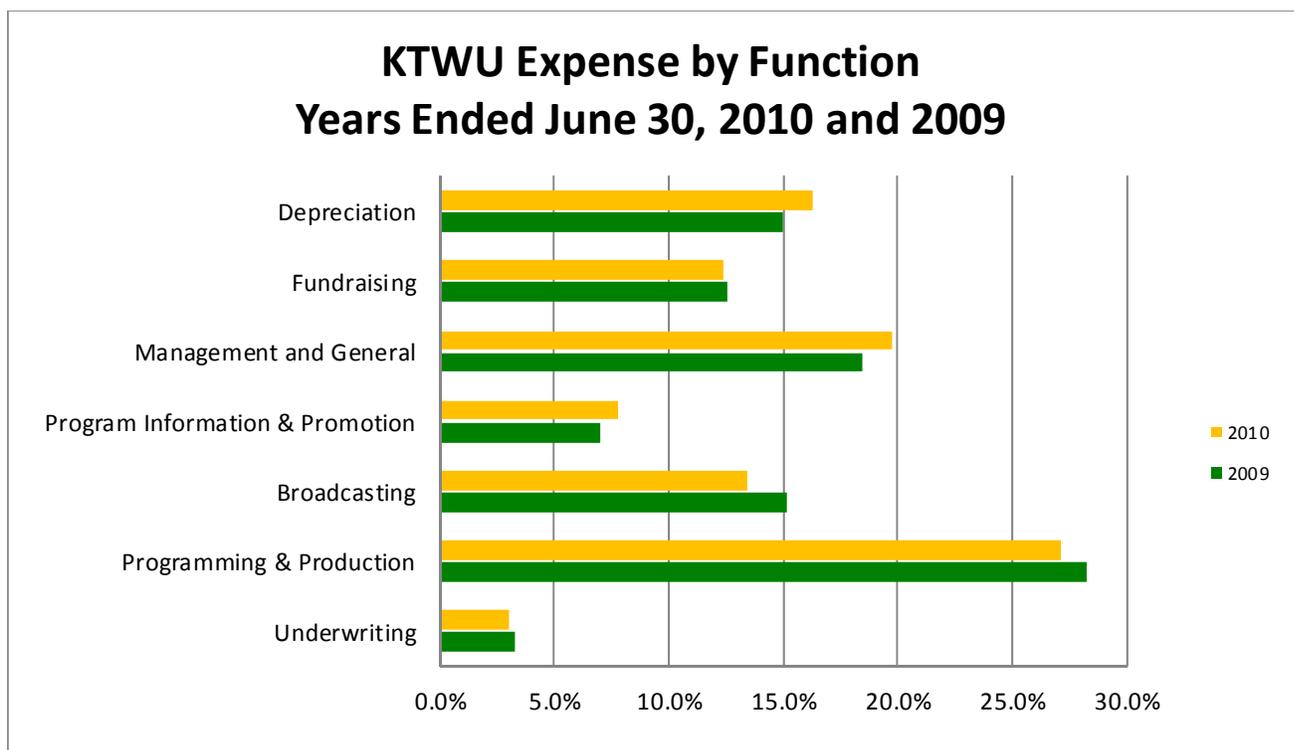
Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

Capital grants comprised 4.9 percent of KTWU's revenue for the year ended June 30, 2010 compared to 10.5 percent for the year ended June 30, 2009, while 20.6 percent is attributed to memberships and contributions from individuals for the year ended June 30, 2010 compared to 26.4 percent for the year ended June 30, 2009. The capital funding decrease between 2010 and 2009 is the result of the completion of the capital grant from the USDA Rural Development for a fiber connection package to create local hi-definition content.

Expenses

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



Program services expenses (programming and production, broadcasting, and program information and promotion) account for 48.3 percent of KTWU's expenses for the year ended June 30, 2010 compared to 50.5 percent for the year ended June 30, 2009. Support services expenses (management and general, fundraising, underwriting and depreciation) account for 51.7 percent of expenses for the year ended June 30, 2010 compared to 49.5 percent for the year ended June 30, 2009.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

The Statement Of Cash Flows

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

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

Even though GASB No. 34 treats the majority of KTWU's revenue, CPB grants, state and local funds and memberships to name a few, as non-operating revenues, these cash flows are critical to funding the operations of KTWU.

Condensed Statement Of Cash Flows As Of June 30, 2011 Through 2009

	2011	2010	2009
Cash provided by (used in):			
Operating activities	\$ (2,694,801)	\$ (2,742,039)	\$ (2,756,238)
Noncapital financing activities	2,768,590	2,579,242	2,734,559
Capital and related financing activities	32,421	35,650	24,541
Investing activities	146,500	144,889	75,761
Net increase in cash	252,710	17,742	78,623
Cash - Beginning Of Year	96,365	78,623	—
Cash - End Of Year	\$ 349,075	\$ 96,365	\$ 78,623

Fiscal Year 2011 Compared To Fiscal Year 2010

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

The cash position of KTWU increased by \$252,710 for the fiscal year ended June 30, 2011 compared to an increase of \$17,742 for the fiscal year ended June 30, 2010.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2010 Compared To Fiscal Year 2009

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

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

Capital Assets

KTWU has a decrease in capital assets during fiscal years 2011 and 2010. At June 30, 2011, KTWU had \$3,271,535 invested in capital assets, net of accumulated depreciation, compared to \$3,771,615 and \$4,333,549 at June 30, 2010 and 2009, respectively. Depreciation charges totaled \$593,239 for the fiscal year ended June 30, 2011 compared to \$687,563 and \$629,456 for the fiscal years ended June 30, 2010 and 2009, respectively. Details of these assets are as follows:

**Condensed Statement Of Capital Assets, Net Of Depreciation
As Of June 30, 2011 Through 2009**

	2011	2010	2009
Land	\$ 27,176	\$ 27,521	\$ 27,521
Buildings and towers	2,339,322	2,429,322	2,519,322
Transmitter and antenna	505,790	549,261	592,732
Transmission and broadcast equipment	379,522	740,027	1,149,516
Office equipment	19,725	25,484	27,066
Projects in progress	—	—	17,392
	<u>\$ 3,271,535</u>	<u>\$ 3,771,615</u>	<u>\$ 4,333,549</u>

Major capital additions during the fiscal year ended June 30, 2011 include equipment purchased for digital broadcasting.

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

Economic Outlook

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Management's Discussion And Analysis (*Continued*)

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

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

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

STATEMENT OF NET ASSETS

	June 30,	
	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 349,075	\$ 96,365
Accounts receivable	165,736	174,172
Grants receivable	12,500	21,732
Prepaid expenses	30,197	25,960
Prepaid lease	7,759	2,100
Total Current Assets	565,267	320,329
Noncurrent Assets		
Receivable from Washburn University Foundation	841,255	724,397
Equity in the net assets of Washburn University Foundation	361,901	380,349
Prepaid lease and extended lease	30,625	49,701
Capital assets, net	3,271,535	3,771,615
Total Noncurrent Assets	4,505,316	4,926,062
Total Assets	\$ 5,070,583	\$ 5,246,391

Liabilities And Net Assets

Current Liabilities		
Accounts payable	\$ 36,852	\$ 43,723
DTV Loan from State of Kansas	45,635	45,635
Prepaid tower lease	4,796	4,241
Accrued payroll	23,670	24,851
Compensated absences	91,051	86,288
Total Current Liabilities	202,004	204,738
Non-current Liabilities		
DTV Loan from State of Kansas	319,443	365,078
Total Liabilities	521,447	569,816
Net Assets		
Invested in capital assets, net of related debt	2,906,457	3,360,902
Restricted for		
Nonexpendable		
Endowments (gift value)	857,321	857,321
Expendable		
Other	257,039	302,145
Unrestricted	528,319	156,207
Total Net Assets	4,549,136	4,676,575
Total Liabilities And Net Assets	\$ 5,070,583	\$ 5,246,391

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For The Years Ended June 30,	
	2011	2010
Operating Revenues		
Auction and special fundraising events	\$ 62,214	\$ 44,366
Tower lease payments	217,317	213,716
RTL workshops	1,100	480
Miscellaneous operating revenues	62,345	58,900
Total Operating Revenues	342,976	317,462
Operating Expenses		
Support services		
Management and general	772,614	836,116
Fundraising and membership development	509,081	523,919
Underwriting and grant solicitation	162,795	127,580
Program services		
Programming and production	1,130,073	1,141,978
Broadcasting	547,857	563,432
Program information and promotion	348,836	327,870
Depreciation	593,239	687,563
Total Operating Expenses	4,064,495	4,208,458
Operating Loss	(3,721,519)	(3,890,996)
Nonoperating Revenues (Expenses)		
Community services and interconnection grants from		
Corporation for Public Broadcasting	757,293	766,688
State and local funds	633,256	638,930
Federal grants	211,760	50,000
Other grants	6,680	39,944
Foundations, business and industry and private university contributions	269,105	247,291
Memberships and subscriptions	881,264	759,949
Donated facilities and administrative support from Washburn University of Topeka	485,522	532,293
Capital gain on sale of land	63,655	—
Investment income	285,545	164,800
Net Nonoperating Revenues (Expenses)	3,594,080	3,199,895
Net Loss Before Capital Grants	(127,439)	(691,101)
Capital Grants		
Federal	—	52,189
State and local	—	129,232
Change In Net Assets	(127,439)	(509,680)
Net Assets - Beginning Of Year	4,676,575	5,186,255
Net Assets - End Of Year	\$ 4,549,136	\$ 4,676,575

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

STATEMENT OF CASH FLOWS

	For The Years	
	Ended June 30,	
	2011	2010
Cash Flows From Operating Activities		
Other operating revenues	\$ 344,641	\$ 325,239
Payments to suppliers	(1,382,923)	(1,412,771)
Payments to employees	(1,656,519)	(1,654,507)
Net Cash Used In Operating Activities	(2,694,801)	(2,742,039)
Cash Flows From Investing Activities		
Interest and dividends received	146,500	144,889
Cash Flows From Noncapital Financing Activities		
CPB funds, state and local funds	1,611,541	1,530,718
Underwriting and other revenues	275,785	283,869
Memberships and subscriptions	881,264	764,655
Net Cash Provided By Noncapital Financing Activities	2,768,590	2,579,242
Cash Flows From Capital And Related Financing Activities		
Capital grants and gifts received	—	293,851
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	78,056	(212,566)
Net Cash Provided By Capital And Related Financing Activities	32,421	35,650
Increase In Cash And Cash Equivalents	252,710	17,742
Cash And Cash Equivalents - Beginning Of Year	96,365	78,623
Cash And Cash Equivalents - End Of Year	\$ 349,075	\$ 96,365
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (3,721,519)	\$ (3,890,996)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	593,239	687,563
Donated facilities and administrative support from Washburn University of Topeka	485,522	532,293
Changes in assets and liabilities:		
Accounts receivable	(42,100)	3,535
Prepaid expenses and other assets	(7,209)	(85,648)
Accounts payable	(6,316)	11,717
Accrued payroll and compensated absences	3,582	(503)
Net Cash Used In Operating Activities	\$ (2,694,801)	\$ (2,742,039)

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011 And 2010**

1. Nature Of Operations And Summary Of Significant Accounting Policies

Nature Of Operations

KTWU Television (KTWU) is operated by Washburn University of Topeka (the University) as a separate department of the University. All amounts contained in this report are included in the audited financial statements of the University, as of and for the years ended June 30, 2011 and 2010.

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

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

KTWU distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of KTWU are from auction activities, lease of tower space, workshops conducted for a fee, and miscellaneous operating activities. Operating expenses include the costs of providing the various programs, administrative expenses and depreciation on capital assets.

Nonoperating transactions include grants, contributions and memberships and subscriptions. These revenues are recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, where KTWU must provide local resources to be used for a specified purpose, and expenditure requirements, where the resources are provided to KTWU on a reimbursement basis.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

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

Functional Allocation Of Expenses

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

Cash

KTWU participates in the pooled cash account with the University.

Accounts Receivable

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

Restricted Investments Managed By Washburn Endowment Association

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

Capital Assets

Capital assets, including projects in progress, are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. KTWU capitalizes interest on the construction of capital assets when significant.

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

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

Compensated Absences

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

Net Assets

KTWU's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets - Nonexpendable

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

KTWU TELEVISION

A Public Telecommunications Entity

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Notes To Financial Statements (*Continued*)

Restricted Net Assets - Expendable

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

Unrestricted Net Assets

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

Pension Plan

The University provides retirement benefits for all of KTWU's employees who meet eligibility requirements through individual annuities with TIAA-CREF. Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employees. Total expenses charged to KTWU by the University amounted to \$120,653 and \$121,038 for the years ended June 30, 2011 and 2010, respectively.

In-kind Contributions

Donated facilities from Washburn University of Topeka consist of office and studio space, together with related occupancy costs, and are recorded in revenue and expense on the statements of revenues, expenses and changes in net assets in the amount of \$485,522 and \$532,293 for the years ended June 30, 2011 and 2010, respectively. Occupancy costs are based on estimated fair values as per an appraisal; administrative costs are allocated based on expenditures.

Income Taxes

As KTWU is part of the University, it is exempt from income taxes. However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

Use Of Estimates

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

Reclassification

Certain 2010 balances have been reclassified to conform to the 2011 year presentation. These reclassifications had no effect on total net assets.

2. Deposits And Investments

Deposits

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

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

KTWU had no bank balances exposed to custodial credit risk at June 30, 2011 and 2010.

Investments

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

KTWU TELEVISION

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Notes To Financial Statements (*Continued*)

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

3. Receivable From Washburn University Foundation

Receivable from Washburn University Foundation consists of KTWU's participation in investments managed by WUF in the amount of \$841,255 and \$724,397 at June 30, 2011 and 2010, respectively. As KTWU does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, their share of WUF's investments is recorded as a receivable from WUF.

4. Equity In The Net Assets Of Washburn University Foundation

At June 30, 2011 and 2010, KTWU had funds held by WUF in the amount of \$361,901 and \$380,349, respectively, which are held for purchases related to KTWU operations and for purchases related to digital programming. These funds are invested in money market accounts and are available immediately, or as needed by KTWU. These money markets are not rated.

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

Notes To Financial Statements (*Continued*)

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2011 follows:

	2011				Balance - June 30, 2011
	Balance - July 1, 2010	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,521	\$ —	\$ —	\$ (345)	\$ 27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,667,494	—	—	—	3,667,494
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,925,351	93,504	—	(39,236)	5,979,619
Furniture and equipment	414,406	—	—	—	414,406
Total capital assets, being depreciated	10,943,522	93,504	—	(39,236)	10,997,790
Less accumulated depreciation for					
Buildings, tower and improvements	(1,238,172)	(90,000)	—	—	(1,328,172)
Transmitters and antenna	(387,010)	(43,471)	—	—	(430,481)
Transmitters and broadcast equipment	(5,185,324)	(454,009)	—	39,236	(5,600,097)
Furniture and equipment	(388,922)	(5,759)	—	—	(394,681)
Total accumulated depreciation	(7,199,428)	(593,239)	—	39,236	(7,753,431)
Total capital assets being depreciated, net	3,744,094	(499,735)	—	—	3,244,359
Total capital assets	\$ 3,771,615	\$(499,735)	\$ —	\$ (345)	\$ 3,271,535

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

Notes To Financial Statements (*Continued*)

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

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	Balance - June 30, 2010	Additions	Reductions	Balance - June 30, 2011
DTV Loan	\$ 410,713	\$ —	\$ (45,635)	\$ 365,078

KTWU entered into a loan agreement with the State of Kansas Pooled Money Investment Board (PMIB) on January 20, 2009 to aid in the purchase of digital equipment as authorized by the 2008 Senate Substitutes for House Bill 2946 section 19(c). This loan, in the original amount of \$456,348, is for a period of 10 years with the principal paid back in equal installments over the life of the loan. The interest rate will reset each year on February 1, and will be the highest rate at which state moneys can be invested on the open market in investments authorized by subsection (a) of K.S.A. 75-4209, and amendments thereto for maturities of one year. The interest rate for FY 2011 is 0.29%.

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

For The Year Ending June 30,	Principal	Interest	Total
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	136,903	430	137,333
	\$ 365,078	\$ 3,793	\$ 368,871

KTWU TELEVISION

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Notes To Financial Statements (*Continued*)

7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through December 2017. Total rents received under these agreements amounted to \$217,317 and \$213,716 for 2011 and 2010, respectively.

Remaining future minimum receipts under these lease agreements at June 30, 2011 are as follows:

For The Year Ending June 30,	Lease Agreement
2012	\$ 180,920
2013	139,598
2014	135,307
2015	133,357
2016	134,557
2017 - 2018	105,422
	<u><u>\$ 829,161</u></u>

8. Significant Estimates And Concentrations

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

Major Funding

During 2011 and 2010, KTWU received approximately 19.2% and 20.5% respectively, of its operating and nonoperating revenues from the Corporation for Public Broadcasting.

KTWU TELEVISION

A Public Telecommunications Entity

Operated By Washburn University Of Topeka

Notes To Financial Statements (*Continued*)

Risk Management

KTWU is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, business interruption; errors and omissions; employee injuries and illness, natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. There have not been significant reductions in coverage from prior years. Washburn University has established a self-insurance fund for health insurance. The health insurance program began in October 2002 for all University employees.

Supplementary Information

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

SCHEDULE OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2011 And 2010

	<u>Support Services</u>			<u>Program Services</u>			<u>2011</u>	<u>2010</u>
	<u>Management And General</u>	<u>Fundraising And Membership Development</u>	<u>Underwriting And Grant Solicitation</u>	<u>Programming And Production</u>	<u>Broadcasting</u>	<u>Program Information And Promotion</u>		
Salaries and employee benefits	\$ 168,038	\$ 340,977	\$ 125,563	\$ 538,551	\$ 312,512	\$ 174,461	\$ 1,660,102	\$ 1,654,003
Donated facilities and administrative support	442,527	—	—	—	42,995	—	485,522	532,293
Programming and production expenses	—	—	—	500,140	—	—	500,140	482,609
Grants and contracts	—	—	—	—	—	—	—	59,650
Telephone, utilities and insurance	26,658	—	—	8,621	68,968	—	104,247	108,883
Dues	41,380	—	—	82,761	—	41,381	165,522	157,933
Fundraising	—	168,104	—	—	—	—	168,104	144,729
Building, equipment and maintenance	7,646	—	—	—	—	—	7,646	19,519
Program guide	—	—	—	—	—	37,065	37,065	45,745
Promotion	—	—	—	—	—	95,929	95,929	59,985
Underwriting	—	—	37,232	—	—	—	37,232	30,284
Broadcasting and engineering	—	—	—	—	107,141	—	107,141	118,403
Translator	—	—	—	—	16,241	—	16,241	11,059
Operating expense	47,069	—	—	—	—	—	47,069	47,246
Travel and registration	4,263	—	—	—	—	—	4,263	1,604
Postage and printing	2,322	—	—	—	—	—	2,322	25,399
Services and assessment	32,711	—	—	—	—	—	32,711	21,551
Total Support And Program Services - 2011	\$ 772,614	\$ 509,081	\$ 162,795	\$ 1,130,073	\$ 547,857	\$ 348,836	\$ 3,471,256	\$ 3,520,895
Total Support And Program Services - 2010	\$ 836,116	\$ 523,919	\$ 127,580	\$ 1,141,978	\$ 563,432	\$ 327,870		