
WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2012

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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, 2012 and 2011, 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 \$149,783,803 and \$154,111,260 as of June 30, 2012 and 2011, respectively, and total revenue of \$8,503,722 and \$25,737,098, respectively, for the years then ended) or the Washburn Law School Foundation (total assets of \$7,955,514 and \$8,813,243 as of June 30, 2012 and 2011, respectively, and total revenue of \$114,979 and \$1,951,796, 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, 2012 and 2011 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012 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 accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RubinBrown LLP

November 16, 2012

WASHBURN UNIVERSITY OF TOPEKA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012 and comparative data for the fiscal years ended June 30, 2011 and 2010. 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 (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 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, 2012

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, 2012, with total assets of \$180.8 million and liabilities of \$35.5 million, compared to total assets of \$176.3 million and liabilities of \$33.8 million at June 30, 2011. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$145.3 million at June 30, 2012. This is a 1.7 percent increase from last fiscal year's net assets of \$142.6 million. Earnings from endowments, offset by declines in 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 \$36.2 million and operating expenses were \$88.3 million, resulting in a loss from operations of \$52.0 million. This loss may create confusion because operating gain or loss, as defined by GASB Statement No. 35 does not present a complete picture of University operations.

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 \$54.8 million, which, when combined with other revenue sources and the loss from operations, resulted in an overall increase in net assets of \$2.7 million compared to an increase of \$10.9 million for the year ended June 30, 2011.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2012, with total assets of \$7.0 million and liabilities of approximately \$604,000, compared to total assets of \$6.7 million and liabilities of \$528,000 at June 30, 2011. Net assets were \$6.3 million, a 3.5% increase from net assets of \$6.1 million at June 30, 2011.

Washburn Tech's operating revenues were \$4.2 million and operating expenses were \$8.4 million, resulting in a loss from operations of \$4.2 million. Net nonoperating revenues, made up predominantly of state appropriations, were \$4.4 million, which, when combined with other revenue sources and the loss from operations, resulted in an increase in net assets of \$220,000 for the year ended June 30, 2012.

Financial Highlights For Fiscal Year Ended June 30, 2011

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.

The Statement Of Net Assets

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

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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

Condensed Statements Of Net Assets As of June 30, 2012, 2011 And 2010

	2012	2011	2010
Assets			
Current assets	\$ 53,120,440	\$ 45,759,512	\$ 40,424,435
Capital assets, net	87,786,511	88,166,680	91,325,065
Other assets	46,853,204	49,058,964	43,434,512
	187,760,155	182,985,156	175,184,012
Liabilities			
Current liabilities	13,738,751	9,768,162	11,653,258
Noncurrent liabilities	22,366,681	24,512,801	26,653,778
	36,105,432	34,280,963	38,307,036
Total net assets	\$ 151,654,723	\$ 148,704,193	\$ 136,876,976
Net Assets Consists Of			
Invested in capital assets, net of debt	\$ 63,980,996	\$ 61,865,763	\$ 64,700,892
Restricted - nonexpendable	28,104,281	31,021,929	26,109,866
Restricted - expendable	30,237,232	28,371,650	26,808,299
Unrestricted	29,332,214	27,444,851	19,257,919
Total Net Assets	\$ 151,654,723	\$ 148,704,193	\$ 136,876,976

Significant assets consist of cash and cash equivalents, short-term investments, accounts and taxes receivable, receivables from and 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.

Fiscal Year 2012 Compared To Fiscal Year 2011

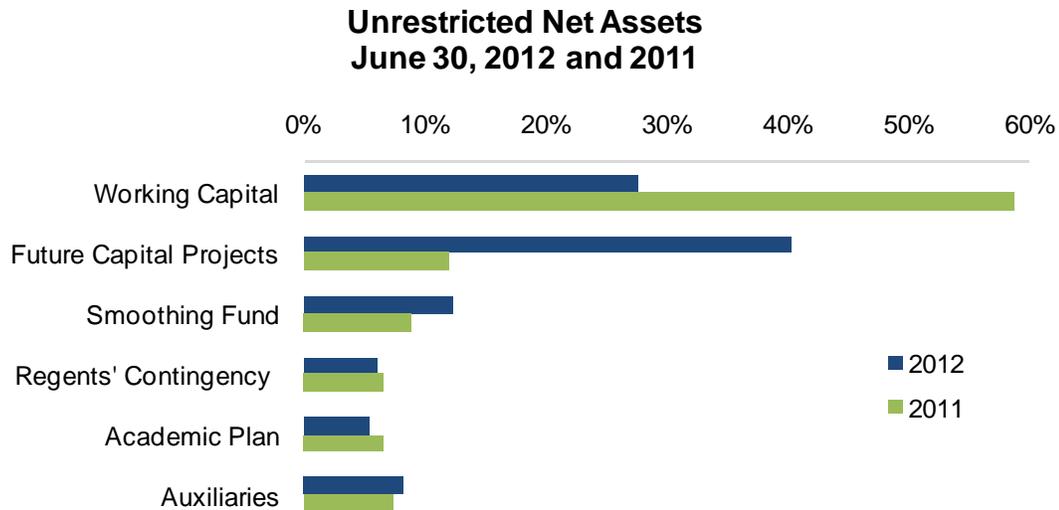
Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$53.1 million at June 30, 2012. Total current assets at June 30, 2012 cover current liabilities 3.9 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 42.2 percent of total net assets at June 30, 2012, represents the assets' historical cost, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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, 2012 and 2011:



The decrease in unrestricted net assets available for working capital purposes is the result of transfers from “Working Capital” to “Future Capital Projects” during fiscal 2012. The increase in the “Smoothing Fund” allocation is the result of sales tax receipts during the year in excess of the amount budgeted.

Fiscal Year 2011 Compared To Fiscal Year 2010

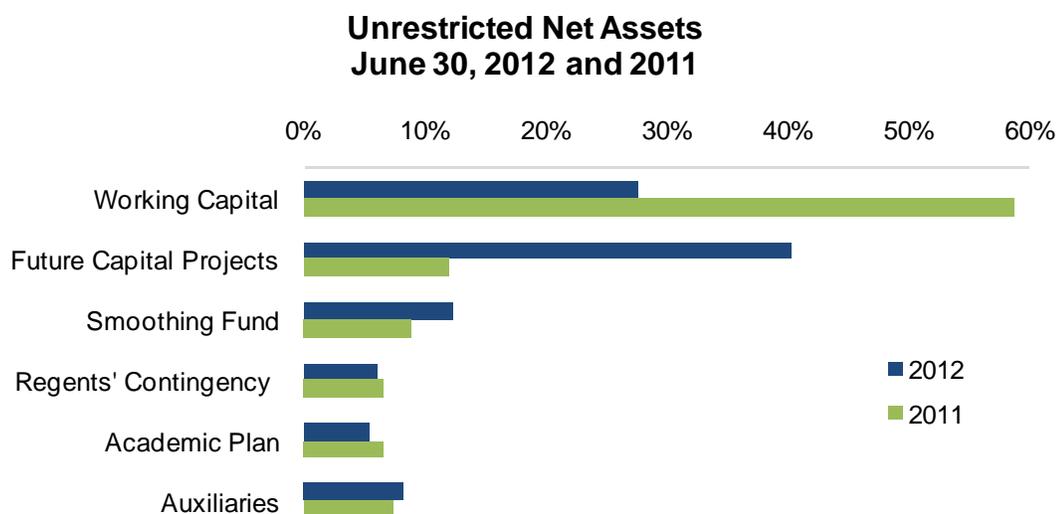
Current assets, which consist primarily of cash, short-term investments and receivables, totaled \$45.8 million at June 30, 2011. Total current assets at June 30, 2011 cover current liabilities 4.7 times, an indicator of excellent liquidity. Capital assets, net of related debt, which represents 41.6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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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:



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.

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, 2012, 2011 and 2010.

Condensed Statement Of Revenues, Expenses And Changes In Net Assets For The Years Ended June 30, 2012, 2011 And 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 40,144,258	\$ 38,819,783	\$ 39,530,264
Operating expenses	96,341,028	90,589,056	92,692,165
	<u>(56,196,770)</u>	<u>(51,769,273)</u>	<u>(53,161,901)</u>
Nonoperating revenues and expenses	57,694,596	62,210,153	57,602,801
Income (loss) before other revenues	1,497,826	10,440,880	4,440,900
Other revenues	1,452,704	1,386,337	1,942,808
Increase (decrease) in net assets	2,950,530	11,827,217	6,383,708
Net assets at beginning of year	148,704,193	136,876,976	130,493,268
Net assets at end of year	<u>\$ 151,654,723</u>	<u>\$ 148,704,193</u>	<u>\$ 136,876,976</u>

Fiscal Year 2012 Compared To Fiscal Year 2011

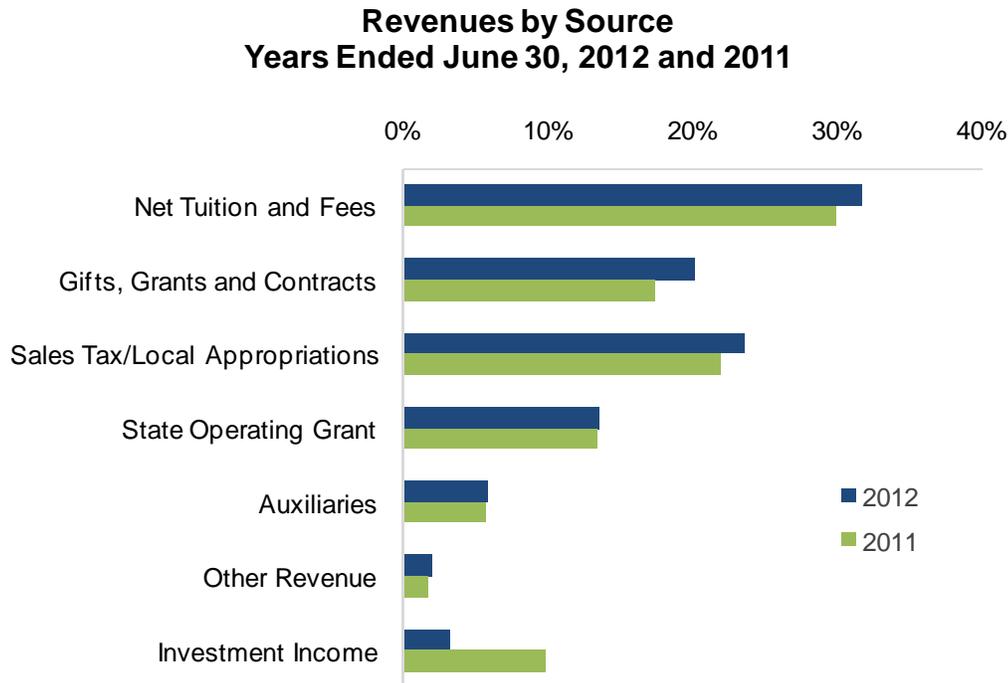
The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets of \$3.0 million during the year ended June 30, 2012 compared to an increase of \$11.8 million during fiscal year 2011. Some highlights of the information provided in these statements follow.

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, 2012 and 2011.



Sales tax/local appropriations and the state operating grant comprise 37.4 percent of the University's revenue for the year ended June 30, 2012 compared to 35.4 percent for the year ended June 30, 2011. The next largest revenue source was net tuition and fees, comprising 32.4 percent of revenue for the year ended June 30, 2012 compared to 30.0 percent for the year ended June 30, 2011. Excluding investment income, governmental appropriations and taxes account for 38.7 percent of revenue in fiscal year 2012, compared to 39.2 percent in fiscal year 2011, while net tuition and fees represent 33.5 percent of revenue, compared to 33.3 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.

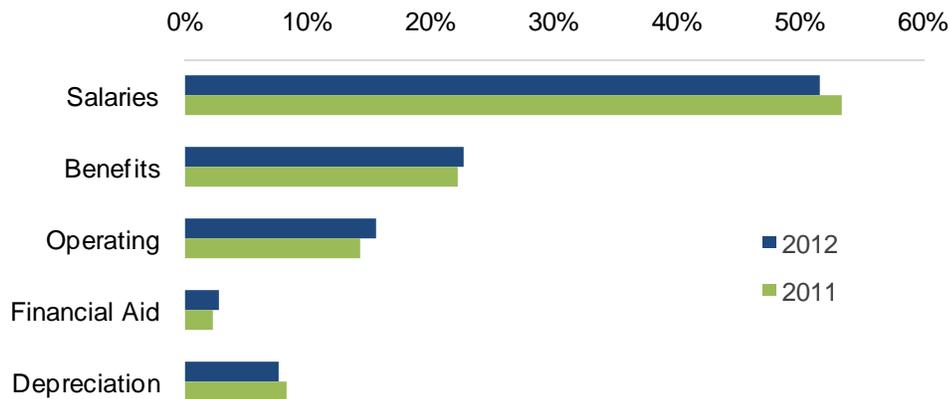
WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (Continued)

Expenses

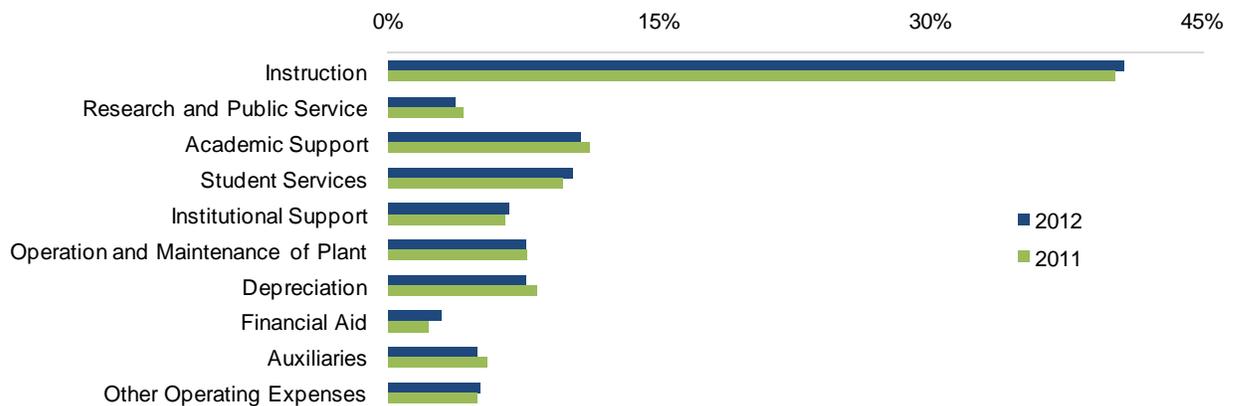
Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are graphically displayed for the years ended June 30, 2012 and 2011.

**Operating Expenses by Natural Classification
Years Ended June 30, 2012 and 2011**



Salaries and benefits comprise 73.9 percent of expenses by natural classification for the year ended June 30, 2012 compared to 75.4 percent for the year ended June 30, 2011. Operating expenses represent 15.5 percent of total expenses for the year ended June 30, 2012 compared to 14.3 percent for the year ended June 30, 2011. Financial aid and depreciation represent the remaining 10.6 percent of expenses for the year ended June 30, 2012 compared to 10.3 percent for the year ended June 30, 2011.

**Operating Expenses by Function
Years Ended June 30, 2012 and 2011**



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

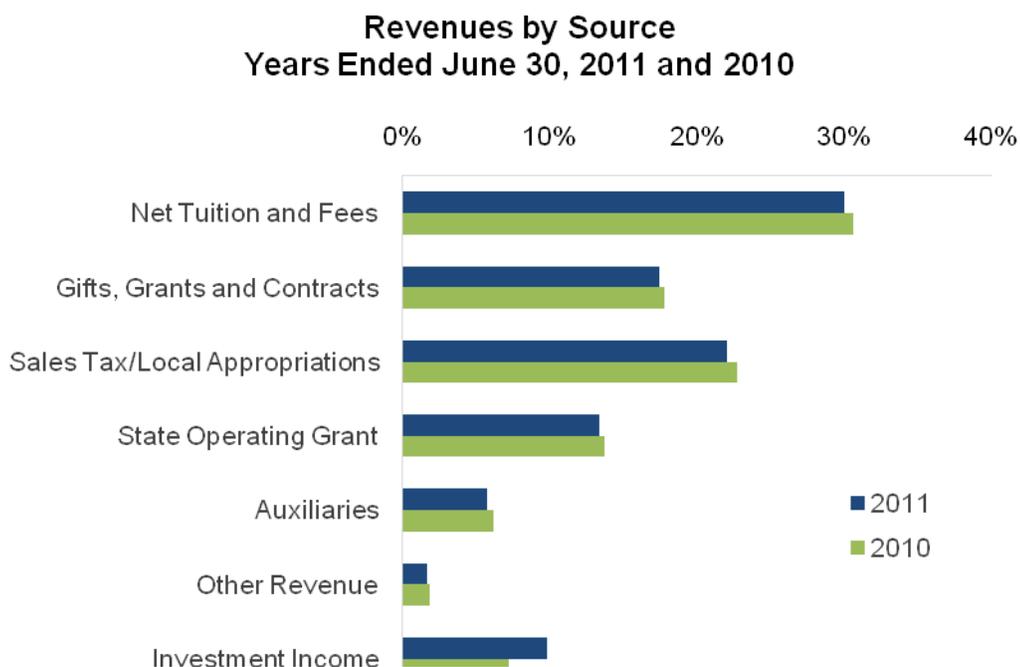
Operating expenses by function indicate 40.3 percent is attributable to instruction for the year ended June 30, 2012 compared to 39.6 percent for the year ended June 30, 2011. The percentages for the remaining operating expenses by functional area range from 10.6 percent for academic support to 3.0 percent for financial aid for the year ended June 30, 2012 compared to 11.1 percent for academic support to 2.2 percent for financial aid for the year ended June 30, 2011.

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.

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.



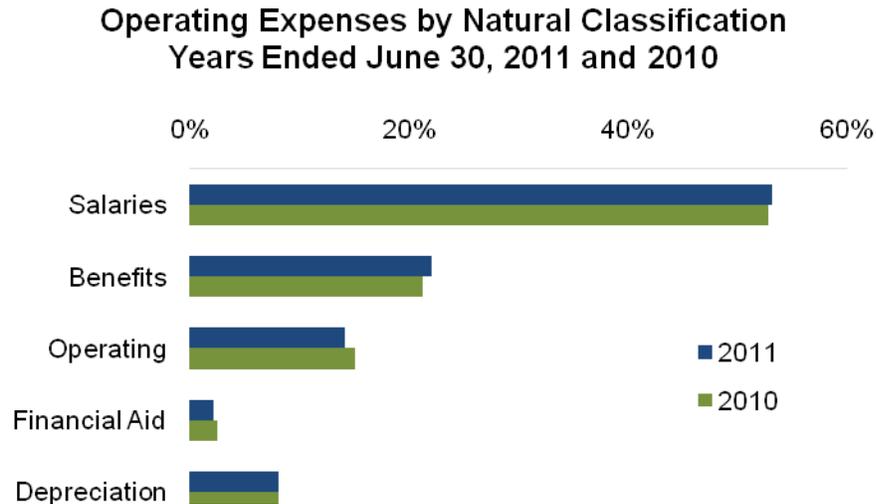
WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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.

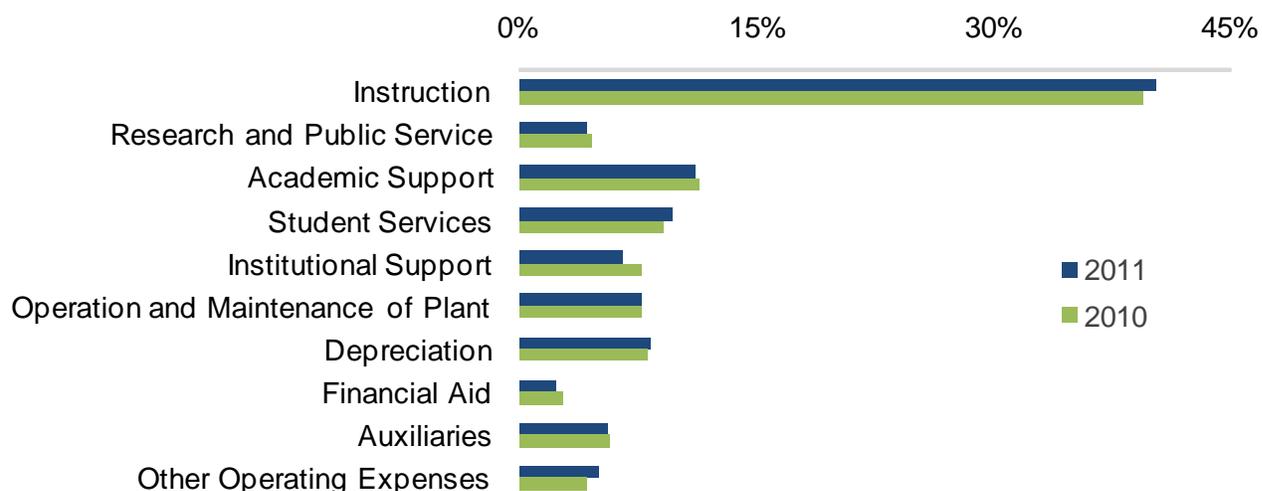
Expenses

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.

**Operating Expenses by Function
Years Ended June 30, 2011 and 2010**



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.

The Statement Of Cash Flows

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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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, 2012, 2011 And 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash provided by (used by):			
Operating activities	\$ (46,639,380)	\$ (45,438,213)	\$ (43,136,765)
Noncapital financing activities	56,931,811	54,187,627	51,837,336
Capital and related financing activities	(9,945,572)	(6,514,043)	(7,655,376)
Investing activities	10,996,730	1,517,146	10,810,642
Net increase in cash	11,343,589	3,752,517	11,855,837
Cash - Beginning of Year	29,325,846	25,573,329	13,717,492
Cash - End of Year	<u>\$ 40,669,435</u>	<u>\$ 29,325,846</u>	<u>\$ 25,573,329</u>

Fiscal Year 2012 Compared To Fiscal Year 2011

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 \$11.3 million for the fiscal year ended June 30, 2012 compared to an increase of approximately \$3.8 million for the fiscal year ended June 30, 2011.

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*)

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 2009 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 2012 and 2011. At June 30, 2012, the University had \$87.8 million invested in capital assets, net of accumulated depreciation, compared to \$88.2 million and \$93.1 million at June 30, 2011 and 2010, respectively. Depreciation charges totaled \$7.3 million for the fiscal year ended June 30, 2012 compared to \$7.4 million and \$7.5 million for the fiscal years ended June 30, 2011 and 2010, 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, 2012, 2011 And 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,444,104	\$ 1,444,104	\$ 1,444,449
Buildings, improvements and infrastructure	69,388,360	69,043,869	72,610,476
Furniture, fixtures and equipment	7,320,643	7,618,868	7,299,799
Computer and electronic equipment	2,099,280	1,800,569	2,022,269
Books and collections	1,028,055	1,501,043	1,619,718
Broadcasting tower, antenna and equipment	1,733,845	1,889,125	2,334,142
Vehicles	122,147	138,946	172,319
Works of art and historical treasures	2,976,353	2,567,114	2,508,014
Construction in progress	1,673,724	2,163,042	1,313,879
	<u>\$ 87,786,511</u>	<u>\$ 88,166,680</u>	<u>\$ 91,325,065</u>

Major capital additions during the fiscal year ended June 30, 2012 include parking lot improvements, HVAC system upgrades and fire alarm system upgrades at Washburn Tech.

The major projects classified as construction in progress at June 30, 2012 are HVAC system upgrades, humidity and temperature controls at Mulvane Art Museum and construction projects relating to Morgan Hall and the School of Law.

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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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 0.24%, and will reset on February 1, 2013.

Debt

At June 30, 2012, the University had \$23.0 million in outstanding debt compared to \$24.7 million at June 30, 2011 and \$26.3 million at June 30, 2010. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

**Outstanding Debt Schedule
As Of June 30, 2012, 2011 And 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Series 2004	\$ 11,425,000	\$ 12,135,000	\$ 12,820,000
Series 2010	11,575,000	12,545,000	13,500,000
	<u>\$ 23,000,000</u>	<u>\$ 24,680,000</u>	<u>\$ 26,320,000</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, 2012 and 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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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, 2012.

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 contemplated 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. For fiscal 2012, the University's operating budget included \$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, was budgeted to receive no state funding in fiscal year 2012. This represented a projected loss of revenue of \$233,000. This shortfall was made up through a combination of other revenue sources, primarily increased fundraising from the public.

WASHBURN UNIVERSITY OF TOPEKA

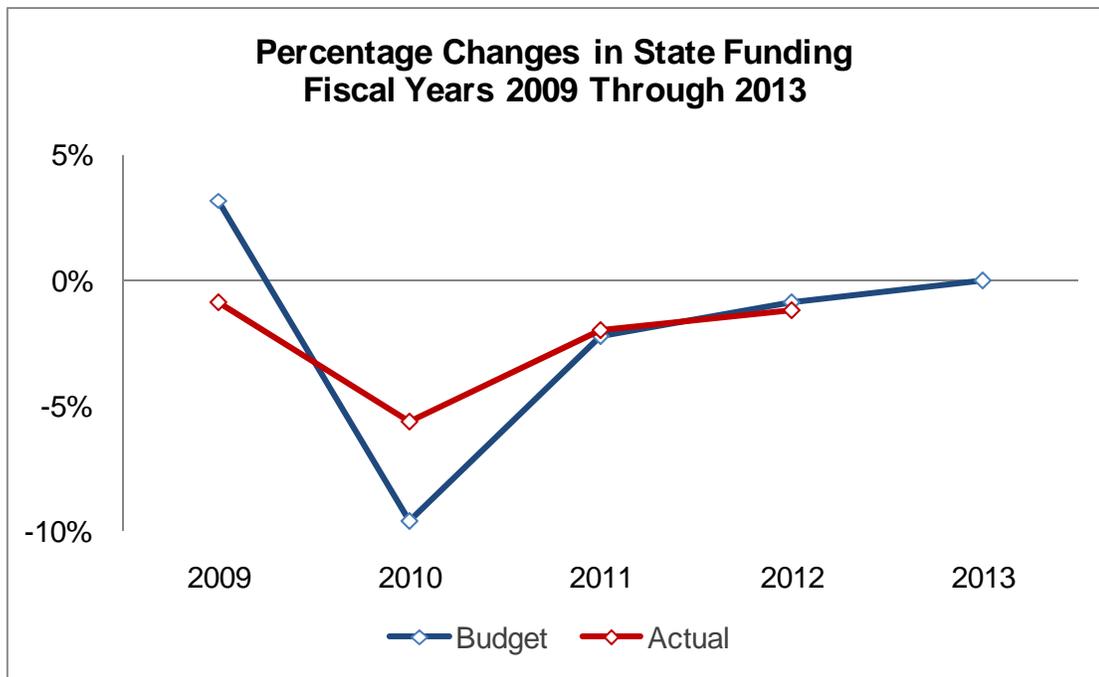
Management's Discussion And Analysis (*Continued*)

Actual state funding received during fiscal 2012 amounted to \$10,955,920. This was slightly 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 2013, the University's operating budget includes \$10,955,683 of state appropriations, unchanged from the fiscal 2012 budget, and a decrease of \$133,000 from actual fiscal 2012 receipts.

KTWU is budgeted to receive \$54,000 from the state in fiscal 2013. This represents a restoration of approximately 23% of the fiscal 2011 level.

Due to the 9.4% decrease in state appropriations from fiscal 2009 to budgeted fiscal 2013, the University has been, and will continue, aggressively exploring cost-reduction options, as well as possible revenue enhancements.

The chart below shows the budgeted and actual year-over-year percentage changes in state funding for fiscal years 2009 through 2013.



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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

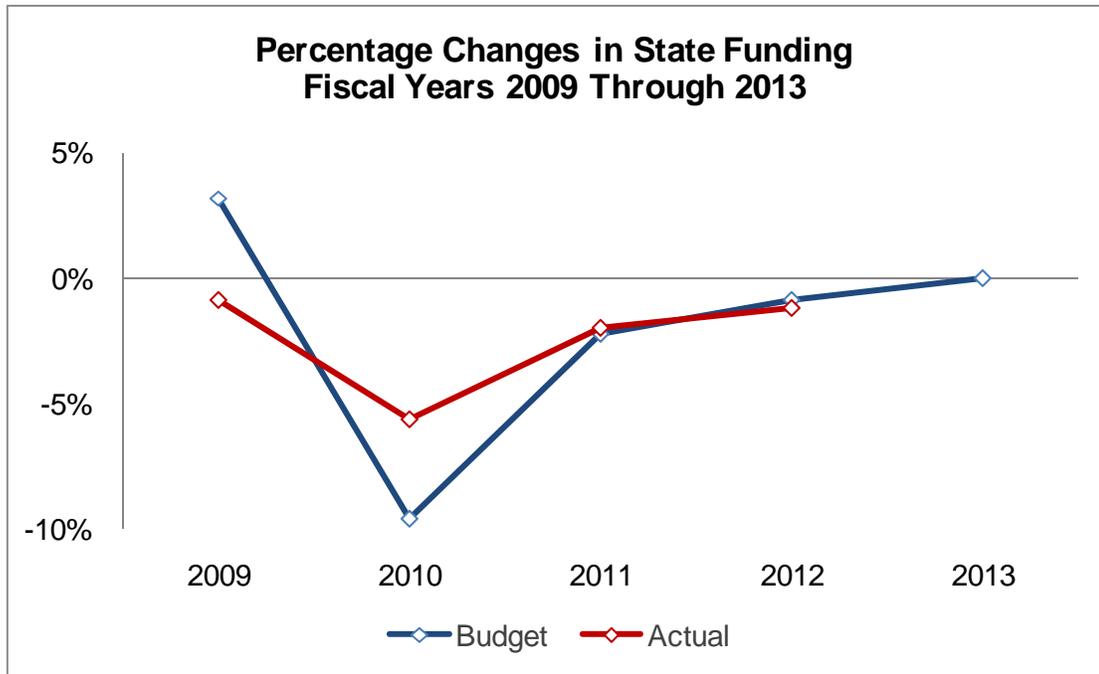
In the event, sales taxes collected during fiscal 2010 fell short of budget by \$96,000. Because sales tax collections for three of the four previous fiscal years were less than budgeted, the University budgeted \$393,000 less in sales tax revenues for fiscal 2011, a decrease of almost \$300,000 from 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. 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.

Sales tax receipts during fiscal 2012 were over \$1.2 million higher than budgeted, coming in at \$20,402,774. 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 2013 budget was increased to \$19,391,719 (an increase of \$197,000).

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.

The chart below shows the budgeted and actual year-over-year percentage changes in sales tax revenues for fiscal years 2009 through 2013.



WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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 2011 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.

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.

In fiscal year 2012-2013, the Board of Regents approved a 4.2% increase in the base tuition rate, reflecting expected declines in sales tax revenue and in state funding. Budgeted student credit hours are slightly below both actual and budgeted fiscal year 2012 credit hours. Actual fall 2012 enrollment was down slightly compared to fall 2011.

Taking the tuition rate increase and budgeted flat credit hours into account, gross tuition revenues are budgeted to be 2.4% higher in fiscal 2013 than what was budgeted in fiscal 2013, and slightly higher than actual fiscal 2012 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 applied to fiscal year 2009 (\$149,413 to the University, \$32,094 to Washburn Tech), and was required to be used for capital infrastructure projects.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

The remaining \$756,280 applied 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 fiscal 2010, the fiscal 2011 allocation of \$622,555 for the University was used to offset reductions in other general fund revenue sources.

During fiscal 2012, the Kansas Board of Regents was able to make available some additional ARRA funding. The University's share of this additional funding, \$8,000, was used to supplement general fund revenue sources.

Recognizing the distinct possibility of additional state funding reductions during fiscal year 2013, 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.

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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion And Analysis (*Continued*)

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,	
	2012	2011
Current Assets		
Cash and cash equivalents	\$ 40,669,435	\$ 29,325,846
Short-term investments	46,000	7,045,557
Taxes receivable	3,605,851	3,434,792
Accounts receivable, net of allowance of \$1,126,000 and \$1,100,000 in 2012 and 2011, respectively	4,466,754	3,563,860
Receivable from Washburn University Foundation	1,765,357	277,760
Other current receivables	300,000	300,000
Inventories	898,968	766,734
Other assets	1,368,075	1,044,963
Total Current Assets	53,120,440	45,759,512
Noncurrent Assets		
Perkins loans receivable	800,219	903,752
Receivable from Washburn University Foundation	32,148,122	34,451,886
Equity in the net assets of Washburn University Foundation	13,173,042	12,910,862
Endowment investments	302,233	300,847
Bond issuance costs, net of accumulated amortization of \$288,931 and \$226,902 in 2012 and 2011, respectively	429,588	491,617
Capital assets, net	87,786,511	88,166,680
Total Noncurrent Assets	134,639,715	137,225,644
Total Assets	\$ 187,760,155	\$ 182,985,156

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET ASSETS

Page 2 Of 2

	June 30,	
	2012	2011
Current Liabilities		
Accounts payable and accrued liabilities	\$ 8,254,765	\$ 4,120,133
Accrued compensated absences, current portion	1,525,732	1,504,594
Accrued postemployment benefits, current portion	72,861	144,328
Deferred revenue	1,452,746	1,616,106
Loans payable, current portion	56,391	45,635
Loan with Kansas Board of Regents, current portion	425,625	425,625
Building revenue bonds, current portion	1,730,000	1,680,000
Deposits held in custody for others	220,631	231,741
Total Current Liabilities	13,738,751	9,768,162
Noncurrent Liabilities		
Accrued compensated absences	83,329	98,745
Accrued postemployment benefits	189,213	264,399
Loans payable	320,788	319,444
Loan with Kansas Board of Regents	1,276,875	1,702,500
Building revenue bonds	20,496,476	22,127,713
Total Noncurrent Liabilities	22,366,681	24,512,801
Total Liabilities	36,105,432	34,280,963
Net Assets		
Invested in capital assets, net of related debt	63,980,996	61,865,763
Restricted		
Nonexpendable		
Endowments	28,104,281	31,021,929
Expendable		
Scholarships, tuition and other	15,295,092	14,564,758
Loans	1,360,610	1,418,174
Self-insurance	3,348,953	2,312,916
Capital projects	6,319,413	5,533,928
Debt service	630,963	1,217,008
Other	3,282,201	3,324,866
Unrestricted	29,332,214	27,444,851
Total Net Assets	151,654,723	148,704,193
Total Liabilities And Net Assets	\$ 187,760,155	\$ 182,985,156

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

	June 30,	
	2012	2011
Assets		
Assets		
Cash and cash equivalents	\$ 936,874	\$ 1,524,789
Investments	135,489,515	138,379,059
Bequests receivable	—	798,445
Pledges receivable, less allowance for uncollectible pledges of \$127,548 and \$112,668 in 2012 and 2011, respectively	4,112,163	4,118,988
Accrued investment income receivable	54,019	50,929
Beneficial interests in trusts	9,072,074	9,098,518
Furniture and equipment, net of accumulated depreciation of \$202,233 and \$171,158 in 2012 and 2011, respectively	119,158	140,532
Total Assets	\$ 149,783,803	\$ 154,111,260
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 309,779	\$ 221,166
Due to Washburn University of Topeka	1,765,357	277,823
Charitable gift liabilities	293,384	282,850
Funds managed on behalf of Washburn University of Topeka	32,148,121	34,450,636
Funds managed on behalf of Washburn Law School Foundation School of Law	7,955,514	8,813,243
Total Liabilities	42,472,155	44,045,718
Net Assets		
Unrestricted	8,242,276	10,980,954
Temporarily restricted	38,470,367	40,908,962
Permanently restricted	60,599,005	58,175,626
Total Net Assets	107,311,648	110,065,542
Total Liabilities And Net Assets	\$ 149,783,803	\$ 154,111,260

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

Assets

	June 30,	
	2012	2011
Investments held at Washburn University Foundation	\$ 7,955,514	\$ 8,813,243

Liabilities And Net Assets

Net Assets

Unrestricted	\$ 2,437,668	\$ 3,394,820
Temporarily restricted	618,402	581,172
Permanently restricted	4,899,444	4,837,251
Total Net Assets	7,955,514	8,813,243

Total Liabilities And Net Assets

\$ 7,955,514 \$ 8,813,243

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Page 1 Of 2

	For The Years	
	Ended June 30,	
	2012	2011
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$17,203,536 and \$16,596,094 in 2012 and 2011 respectively)	\$ 32,370,120	\$ 31,297,090
Federal grants and contracts	2,728	3,147
State and local grants and contracts	10,000	17,161
Sales and services of educational departments	1,304,023	1,192,408
Auxiliary enterprises		
Residential living (net of scholarship allowances of \$309,870 and \$266,433 in 2012 and 2011 respectively; revenues are used as security for revenue bonds Series 2004 and 2010)	2,282,009	2,216,965
Memorial Union (revenues are used as security for revenue bonds Series 2010)	3,616,328	3,704,772
Other operating revenues	559,050	388,240
Total Operating Revenues	40,144,258	38,819,783
Operating Expenses		
Educational and general		
Instruction	39,228,376	36,421,998
Research	195,326	216,401
Public service	3,419,661	3,608,311
Academic support	10,249,404	10,075,455
Student services	9,860,113	8,741,221
Institutional support	6,409,562	5,762,425
Operatings and maintenance of plant	7,354,281	7,013,583
Depreciation	7,321,553	7,429,018
Financial aid	2,590,437	1,983,695
Auxiliary enterprises		
Residential living	1,022,712	1,151,594
Memorial union	3,715,197	3,711,497
Self-insurance claims, net of premiums	4,974,406	4,473,858
Total Operating Expenses	96,341,028	90,589,056
Operating Loss	(56,196,770)	(51,769,273)

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Page 2 Of 2

	For The Years Ended June 30,	
	2012	2011
Nonoperating Revenues (Expenses)		
State appropriations	\$ 13,747,871	\$ 13,997,852
Local appropriations	24,006,062	22,869,273
Federal grants and contracts	15,017,132	13,526,802
State and local grants and contracts	1,232,120	1,207,696
Nongovernmental grants and contracts	149,598	13,652
Gifts	2,766,113	2,150,103
Investment income	3,279,716	10,165,286
Interest on indebtedness	(1,040,592)	(1,059,928)
Other nonoperating expenses	(1,463,424)	(660,583)
Net Nonoperating Revenues (Expenses)	57,694,596	62,210,153
Income Before Other Revenues	1,497,826	10,440,880
Capital Grants - Federal	24,850	135,659
Capital Grants And Gifts - Non-Federal	1,267,283	1,036,807
Additions To Permanent Endowments	160,571	213,871
Increase In Net Assets	2,950,530	11,827,217
Net Assets - Beginning Of Year	148,704,193	136,876,976
Net Assets - End Of Year	\$ 151,654,723	\$ 148,704,193

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For The Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Support				
Contributions	\$ 3,244,376	\$ 1,468,069	\$ 1,891,111	\$ 6,603,556
Change in beneficial interest	148,959	324,307	211,747	685,013
Total support	3,393,335	1,792,376	2,102,858	7,288,569
Revenues				
Investment income (loss)	(76,110)	(260,092)	160,094	(176,108)
Administration	1,146,407	—	—	1,146,407
Events	117,993	—	—	117,993
Other	(12,165)	148,230	(9,204)	126,861
Total revenue	1,176,125	(111,862)	150,890	1,215,153
Net assets released from restrictions	6,415,994	(6,415,994)	—	—
Total Support And Revenue	10,985,454	(4,735,480)	2,253,748	8,503,722
Expenses				
Program services	7,239,410	—	—	7,239,410
Management and general	1,758,550	—	—	1,758,550
Fundraising	2,259,656	—	—	2,259,656
Total Expenses	11,257,616	—	—	11,257,616
Excess Of Revenues Over (Under) Expenses	(272,162)	(4,735,480)	2,253,748	(2,753,894)
Net Asset Reclassification Based On				
 Values Of Endowed Funds Below Original				
Donor Contributions	(2,296,752)	2,296,752	—	—
Other Fund Transfers, Net	(169,764)	133	169,631	—
Change In Net Assets	(2,738,678)	(2,438,595)	2,423,379	(2,753,894)
Net Assets - Beginning Of Year	10,980,954	40,908,962	58,175,626	110,065,542
Net Assets - End Of Year	\$ 8,242,276	\$ 38,470,367	\$ 60,599,005	\$ 107,311,648

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For The Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Contributions	\$ 102,146	\$ 5,678	\$ 39,243	\$ 147,067
Return on investments	(23,635)	(41,341)	16,753	(48,223)
Nongift and other income	9,938	—	6,197	16,135
Net assets released from restriction	301,158	(301,158)	—	—
Total Support And Revenues	389,607	(336,821)	62,193	114,979
Expenses				
Program expenses				
Scholarships	696,376	—	—	696,376
General support of Law School	29,874	—	—	29,874
Management and general	246,458	—	—	246,458
Total Expenses	972,708	—	—	972,708
Excess (Deficit) Of Revenues Over Expenses	(583,101)	(336,821)	62,193	(857,729)
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	(374,051)	374,051	—	—
Change In Net Assets	(957,152)	37,230	62,193	(857,729)
Net Assets - Beginning Of Year	3,394,820	581,172	4,837,251	8,813,243
Net Assets - End Of Year	\$ 2,437,668	\$ 618,402	\$ 4,899,444	\$ 7,955,514

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	2,909,206	14,577,944	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	4,130,224	14,741,128	150,565	19,021,917
Net assets released from restrictions	6,214,960	(6,214,960)	—	—
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 Asset Reclassification Based On				
Values Of Endowed Funds Below Original				
Donor Contributions	3,859,482	(3,859,482)	—	—
Other Fund Transfers	(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 CASH FLOWS

Page 1 Of 2

	For The Years Ended June 30,	
	2012	2011
Cash Flows From Operating Activities		
Tuition and fees	\$ 32,079,674	\$ 32,457,052
Grants and contracts	12,728	2,953
Auxiliary enterprise charges		
Residential Living	2,288,544	2,293,218
Memorial Union	3,652,123	3,698,875
Sales and services of educational departments	1,309,864	1,183,038
Collection of loans issued to students	155,080	203,463
Other receipts	513,888	458,873
Self-insurance premiums	396,986	417,943
Payments to suppliers	(14,524,359)	(15,391,813)
Payments to employees	(63,175,294)	(62,062,231)
Payments for scholarships and fellowships	(2,900,308)	(1,983,695)
Loans issued to students	(87,232)	(58,004)
Payments for self-insurance claims and administrative fees	(6,361,074)	(6,657,885)
Net Cash Used In Operating Activities	(46,639,380)	(45,438,213)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	6,999,557	4,000,000
Interest on investments	3,997,173	4,516,703
Purchase of investments	—	(6,999,557)
Net Cash Provided By Investing Activities	10,996,730	1,517,146
Cash Flows From Noncapital Financing Activities		
State appropriations	13,747,871	13,997,852
Local appropriations	23,835,003	23,014,515
Gifts and grants for other than capital purposes	19,316,730	17,135,516
Cash received from Topeka Public Schools	—	100,000
Federal Family Education loan receipts	53,226,886	54,298,040
Federal Family Education loan disbursements	(53,188,233)	(54,346,466)
Agency account transactions	(6,446)	(11,830)
Net Cash Provided By Noncapital Financing Activities	56,931,811	54,187,627
Cash Flows From Capital And Related Financing Activities		
Proceeds from capital loans	—	761,375
Capital grants and gifts received	1,696,244	1,306,317
Proceeds from sale of capital assets	—	64,000
Purchase of capital assets	(8,585,077)	(5,593,080)
Principal paid on capital loans	(477,675)	(471,260)
Principal paid on long-term debt	(1,680,000)	(1,640,000)
Interest paid on long-term debt	(899,064)	(941,395)
Net Cash Used In Capital And Related Financing Activities	(9,945,572)	(6,514,043)
Increase In Cash And Cash Equivalents	11,343,589	3,752,517
Cash And Cash Equivalents - Beginning Of Year	29,325,846	25,573,329
Cash And Cash Equivalents - End Of Year	\$ 40,669,435	\$ 29,325,846

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF CASH FLOWS

Page 2 Of 2

	For The Years Ended June 30,	
	2012	2011
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (56,196,770)	\$ (51,769,273)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,321,553	7,429,018
Provision for uncollectible accounts receivable	—	266,188
Write-off of Perkins loans	38,233	43,970
Changes in assets and liabilities:		
Receivables, net	(465,999)	1,074,755
Inventories	(132,234)	207,467
Receivables from Washburn University Foundation	223	8,296
Other assets	(322,733)	31,348
Perkins loans receivable	65,299	145,571
Accounts payable	3,357,341	(2,706,519)
Compensated absences	5,722	41,790
Postemployment benefits	(146,654)	(229,643)
Deferred revenue	(163,361)	18,819
Net Cash Used In Operating Activities	\$ (46,639,380)	\$ (45,438,213)
Noncash Investing And Financing Transactions		
Change in fair value of investments	\$ (2,038,479)	\$ 4,443,712
Capitalization of interest	18,095	49,532
Capital gifts	—	62,300
Capital additions included in accounts payable	1,241,890	228,997
Capital assets purchased with loans	64,149	—

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 And 2011

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. The Board of Regents is comprised of the mayor of Topeka, three members appointed by the mayor, one member appointed by the Shawnee County Commission, three members appointed by the governor of Kansas, and one member appointed by the Kansas Board of Regents. The mayor of Topeka and the regent appointed by the Kansas Board of Regents serve as long as they are in their respective positions. All other regents are appointed for four-year terms. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities.

On July 1, 2009, the University and Washburn Institute of Technology (Washburn Tech) 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 Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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. Certain FASB revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information included in the University's financial statements for these differences. 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.

The University has elected to early-adopt the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates certain FASB and AICPA accounting and financial reporting guidance into GASB's authoritative literature. Business-type activities may apply, as "other accounting literature", post-November 30, 1989 FASB and AICPA pronouncements that do not conflict with or contradict GASB pronouncements. The University has chosen not to apply such FASB standards. Adoption of this statement had no impact on the University's financial statements.

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.

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 \$18,095 and \$49,562 for the years ended June 30, 2012 and 2011, 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 \$189,213 and \$210,362 at June 30, 2012 and 2011, 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 previous fiscal years, 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, 2012 and 2011 is \$72,861 and \$198,365, 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 2011 amounts have been reclassified to conform to the 2012 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, 2012 or 2011.

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, 2012 or 2011.

At June 30, 2012 and 2011, the University had the following short-term investments (which have an original maturity date of one year or less):

	<u>2012</u>	<u>2011</u>
Certificates Of Deposit		
CoreFirst Bank & Trust	\$ 46,000	\$ 46,000
U.S. Government Securities	—	6,999,557
	<u>\$ 46,000</u>	<u>\$ 7,045,557</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, 2012 and 2011. 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, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Preferred stocks, carried at fair value (cost of \$12,500 for 2012 and 2011)	\$ 12,965	\$ 12,930
Mutual funds, carried at fair value (cost of \$244,363 for 2012 and 2011)	257,268	255,917
<u>Fixed income securities, at fair value</u>	<u>32,000</u>	<u>32,000</u>
	<u>\$ 302,233</u>	<u>\$ 300,847</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, 2012, the mutual funds were unrated and the fixed income securities were rated A by Standard & Poors.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

4. 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Contributions for scholarships and other activities	\$ 1,400,966	\$ 1,414,750
Held pledges receivable	12,777	12,491
Bequests receivable	—	494,564
Restricted endowment income	1,800,271	1,715,533
Unreimbursed operating expenses of the Foundation due to the University	1,765,357	277,760
University endowment funds managed by the Foundation (see activity below)	28,934,108	30,814,548
	<u>\$ 33,913,479</u>	<u>\$ 34,729,646</u>

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

	<u>2012</u>	<u>2011</u>
Current receivable from Washburn University Foundation	\$ 1,765,357	\$ 277,760
Noncurrent receivable from Washburn University Foundation	32,148,122	34,451,886
	<u>\$ 33,913,479</u>	<u>\$ 34,729,646</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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, 2012 and 2011 and for the years then ended is as follows:

	<u>2012</u>	<u>2011</u>
Beginning principal transferred	\$ 23,364,886	\$ 23,364,886
Post-transfer additions, beginning of year	1,570,150	1,202,939
Earnings added to corpus during the year	647,999	153,340
Gifts received during the year	160,571	213,871
End of year, at cost	25,743,606	24,935,036
Cumulative net unrealized gains	3,190,502	5,879,512
End of year, at fair value	\$ 28,934,108	\$ 30,814,548

5. 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 \$13,173,042 and \$12,910,862 as of June 30, 2012 and 2011, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

6. Capital Assets

The following is a summary of capital assets for the years ended June 30, 2012 and 2011:

	2012				
	Balance - July 1, 2011	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2012
Capital assets, not being depreciated					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	2,567,114	409,239	—	—	2,976,353
Construction in progress	2,163,042	4,096,298	—	(4,585,616)	1,673,724
Total capital assets, not being depreciated	6,174,260	4,505,537	—	(4,585,616)	6,094,181
Capital assets, being depreciated					
Buildings, improvements and infrastructure	122,642,577	4,474,248	—	—	127,116,825
Furniture, fixtures and equipment	20,237,900	1,009,529	(105,831)	—	21,141,598
Computers and electronic equipment	14,367,411	1,278,272	(149,993)	—	15,495,690
Books and collections	19,614,890	—	(7,518)	—	19,607,372
Broadcasting tower, antenna and equipment	8,204,932	261,751	(17,566)	—	8,449,117
Vehicles	808,091	44,025	(10,822)	—	841,294
Total capital assets, being depreciated	185,875,801	7,067,825	(291,730)	—	192,651,896
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(53,598,708)	(4,134,646)	4,889	—	(57,728,465)
Furniture, fixtures and equipment	(12,619,032)	(1,268,395)	66,472	—	(13,820,955)
Computers and electronic equipment	(12,566,842)	(979,561)	149,993	—	(13,396,410)
Books and collections	(18,113,847)	(465,470)	—	—	(18,579,317)
Broadcasting tower, antenna and equipment	(6,315,807)	(417,031)	17,566	—	(6,715,272)
Vehicles	(669,145)	(56,450)	6,448	—	(719,147)
Total accumulated depreciation	(103,883,381)	(7,321,553)	245,368	—	(110,959,566)
Total capital assets being depreciated, net	81,992,420	(253,728)	(46,362)	—	81,692,330
Total capital assets	\$ 88,166,680	\$ 4,251,809	\$ (46,362)	\$ (4,585,616)	\$ 87,786,511

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2011				Balance - June 30, 2011
	Balance - July 1, 2010	Additions	Retirements	Construction In Progress Placed In Service	
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

The University had approximately \$451,000 and \$1,818,000, respectively, at June 30, 2012 and 2011 in commitments for building construction and other contracts.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

7. Building Revenue Bonds

The following is a summary of changes in long-term debt for the years ended June 30, 2012 and 2011:

	Balance			Balance	Due Within
	July 1, 2011	Issued	Retired	June 30, 2012	One Year
Series 2004	\$ 12,135,000	\$ —	\$ 710,000	\$ 11,425,000	\$ 730,000
Series 2010	12,545,000	—	970,000	11,575,000	1,000,000
	<u>\$ 24,680,000</u>	<u>\$ —</u>	<u>\$ 1,680,000</u>	23,000,000	<u>\$ 1,730,000</u>
Add: unamortized premium on bonds				161,011	
Less: deferred costs of refunding Series 1999, 2001 & 2003 bonds				(934,535)	
Less: current portion				<u>(1,730,000)</u>	
				<u>\$ 20,496,476</u>	

	Balance			Balance	Due Within
	July 1, 2010	Issued	Retired	June 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>	

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 was \$28,542 and \$30,168 for the years ended June 30, 2012 and June 30, 2011, respectively.

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 deposited into an irrevocable escrow account with an escrow agent to provide for future debt service 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, 2012 and 2011 amounted to \$89,826 and \$93,218, 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.

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 Refunding Revenue Bonds - Series 2004

The 2004 Series bonds consist of serial bonds due in annual principal payments ranging from \$730,000 to \$955,000 and mature between July 1, 2013 and July 1, 2019. The 2004 Series bonds bear interest at rates ranging from 3.25% 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 \$1,000,000 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 July 1, 2020.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding at June 30, 2012, 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>	
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	1,940,000	645,255	2,585,255
2018-2022	9,135,000	2,131,575	11,266,575
2023-2027	3,365,000	757,390	4,122,390
2028-2029	1,350,000	102,000	1,452,000
	<u>\$ 23,000,000</u>	<u>\$ 6,780,845</u>	<u>\$ 29,780,845</u>

8. Loans Payable

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 2009 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 2010. Funds were disbursed by KBOR as approved expenditures were incurred and submitted for reimbursement.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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 2009. The following is a summary of changes in the long-term loan payable to KBOR for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Loan payable to KBOR - beginning of year	\$ 2,128,125	\$ 2,553,750
Retired	(425,625)	(425,625)
<u>Loan payable to KBOR - end of year</u>	<u>\$ 1,702,500</u>	<u>\$ 2,128,125</u>
<u>Loan payable to KBOR - due within one year</u>	<u>\$ 425,625</u>	<u>\$ 425,625</u>

The annual requirements to repay the loan outstanding at June 30, 2012, are as follows:

<u>For The Year Ending June 30,</u>	<u>Principal</u>
2013	\$ 425,625
2014	425,625
2015	425,625
2016	425,625
	<u>\$ 1,702,500</u>

During fiscal year 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, 2012 and 2011 was 0.24% and 0.29%, respectively, and will reset on February 1, 2013. The balance of the loan was \$319,444 and \$369,069 on June 30, 2012 and 2011, respectively.

During fiscal year 2012, Washburn Tech financed the purchase of equipment through a bank loan in the amount of \$64,149. The loan matures on February 17, 2014 and carries a fixed annual interest rate of 3.55%. Annual principal and interest payments are due on February 1, beginning in 2013. The loan is collateralized with a security interest in the purchased equipment. The balance of the loan was \$57,735 on June 30, 2012.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The annual requirements to repay all loans outstanding at June 30, 2012, including interest payments, are as follows:

For The Year Ending June 30,	Loan Payable		Total
	Principal	Interest	
2013	\$ 56,391	\$ 2,716	\$ 59,107
2014	56,772	2,225	58,997
2015	57,168	1,719	58,887
2016	57,577	1,201	58,778
2017	58,002	667	58,669
2018-2019	91,269	128	91,397
	<u>\$ 377,179</u>	<u>\$ 8,656</u>	<u>\$ 385,835</u>

9. 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, 2012 and 2011 was approximately \$3,986,000 and \$3,833,000, respectively.

10. 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 2012 and 2011, 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, 2012 and 2011 is based on the requirements of GASB Statement No 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The changes in health care claims payable for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Claims payable - beginning of year	\$ 231,420	\$ 338,759
Incurred claims	5,836,788	5,445,043
Claim payments	<u>(5,711,622)</u>	<u>(5,552,382)</u>
Claims payable - end of year	<u>\$ 356,586</u>	<u>\$ 231,420</u>

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

11. 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.

12. New Accounting Pronouncements

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial entity display and disclosure requirements. The University has evaluated the impact this standard will have on the financial statements when adopted during the fiscal year ending June 30, 2013. No additional component units will be required to be included in the reporting entity. However, condensed combining information for the University and Washburn Tech will be required to be presented in the notes to the financial statements.

GASB 63 amends the net asset reporting requirements included in other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the “residual of all other elements presented in a statement of financial position”. This residual measure is renamed net position, rather than net assets. The University is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year ending June 30, 2013.

GASB 65 is related to GASB 63 in that it reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The University is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year ending June 30, 2014.

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.

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.

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Pledges Receivable

Pledges receivable include the following unconditional promises to give at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unrestricted	\$ 19,941	\$ 7,445
Temporarily restricted	7,128,066	7,647,361
Permanently restricted	719,361	303,590
Agency	32,908	44,268
	<u>7,900,276</u>	<u>8,002,664</u>
Pledges receivable - end of year	<u>\$ 7,900,276</u>	<u>\$ 8,002,664</u>

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

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 886,124	\$ 1,296,531
Receivable in one to five years	1,489,642	1,200,423
Thereafter	5,524,510	5,505,710
	<u>7,900,276</u>	<u>8,002,664</u>
Less: allowance for uncollectible pledges	127,548	112,668
Less: unamortized discount at 3.2%	3,660,565	3,771,008
	<u>4,112,163</u>	<u>4,118,988</u>
Pledges receivable - end of year	<u>\$ 4,112,163</u>	<u>\$ 4,118,988</u>

The Foundation considers pledges receivable to be classified as Level 3 within the fair value hierarchy. The following table provides a summary of changes in the fair value of the Foundation's pledges receivable:

	<u>2012</u>	<u>2011</u>
Pledges receivable, beginning	\$ 4,118,988	\$ 4,792,370
New pledges	1,788,715	1,196,970
Pledge payments	(1,826,970)	(1,970,226)
Pledges written off	(64,133)	(94,109)
Change in value	95,563	193,983
	<u>4,112,163</u>	<u>4,118,988</u>
Pledges receivable, ending	<u>\$ 4,112,163</u>	<u>\$ 4,118,988</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. As of June 30, 2012, total investments were \$135,489,515, of which \$115,590,779 were carried at fair value and \$19,898,736 were carried at cost. 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.

	<u>2012</u>	<u>2011</u>
Investments carried at fair value:		
Large cap equities	\$ 30,995,077	\$ 35,978,039
Foreign equities	21,205,121	29,377,257
U.S. government securities	5,130,643	6,040,807
Small cap equities	11,974,000	10,811,412
Mid cap equities	11,063,632	15,131,085
Hedge funds	4,575,075	4,514,147
Corporate and foreign bonds	17,594,909	12,849,434
Market neutral equities	4,355,741	—
Natural resources	2,265,717	2,548,161
Real estate	4,926,815	2,075,404
Short-term money market funds	917,947	1,152,049
Life insurance policies	419,839	409,783
Other	166,263	166,655
Total	<u>\$ 115,590,779</u>	<u>\$ 121,054,233</u>

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.

	<u>2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 105,718,798	\$ 5,130,643	\$ 4,741,338	\$ 115,590,779

	<u>2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 110,332,624	\$ 6,040,807	\$ 4,680,802	\$ 121,054,233

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2012</u>	<u>2011</u>
Beginning fair value	\$ 4,680,802	\$ 7,520,189
Net realized loss	—	(99,756)
Purchases and sales, net	—	(2,800,332)
Net change in unrealized depreciation	60,536	60,701
Ending fair value	\$ 4,741,338	\$ 4,680,802

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

Hedge funds at June 30, 2012 include \$4,575,075 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. Effective January 1, 2012, limited partners may redeem up to 25% of the capital account balance as of the last day of each calendar quarter, in addition to the right to withdraw the entire balance annually.

	<u>2012</u>	<u>2011</u>
Investments carried at cost:		
Private equity investments	\$ 15,943,717	\$ 13,511,052
Private real estate investments	3,955,019	3,813,774
Total	\$ 19,898,736	\$ 17,324,826

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, 2012.

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, 2012:

	<u>1 - 4 Years</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>
Private equity - Buyout	\$ 5,084,501	\$ (309,510)
Private equity - Venture capital	1,137,513	(95,180)
Private equity - Value added	2,357,697	(1,597,323)
Private equity - Other	813,000	(160,844)

The Foundation has committed a total of \$41,500,000 to the private placement investment funds above. Unfunded commitments were approximately \$17,900,000 at June 30, 2012.

Amounts included in net investment income (loss) for the years ended June 30, 2012 and 2011 were:

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 4,276,800	\$ 5,407,289
Net realized (losses) gains	(404,030)	1,662,252
Change in net unrealized gains	(3,808,892)	10,761,793
Investment expense	(239,986)	(193,450)
	<u>\$ (176,108)</u>	<u>\$ 17,637,884</u>

Beneficial Interests In Trusts

The following is a summary of beneficial interests in trusts. The Foundation considers all of these trusts to be classified as Level 3 within the fair value hierarchy.

	<u>2012</u>	<u>2011</u>
Perpetual trusts	\$ 4,746,289	\$ 4,988,344
Charitable remainder trusts	630,466	512,602
Charitable lead trust	3,695,319	3,597,572
	<u>\$ 9,072,074</u>	<u>\$ 9,098,518</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	2012	2011
Beginning fair value	\$ 9,098,518	\$ 8,898,269
Distributions to Foundation	(511,547)	(523,072)
Termination of trusts	(82,590)	(200,248)
Change in value in beneficial interest	567,693	923,569
Ending fair value	\$ 9,072,074	\$ 9,098,518

Net Assets And Agency Funds

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

	2012					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 34,966,143	\$ 16,685,709	\$ —	\$ 51,651,852	\$ 25,158,791	\$ 76,810,643
Student support	660,732	344,279	—	1,005,011	110,372	1,115,383
Program support	9,562,215	8,559,681	—	18,121,896	3,226,422	21,348,318
Faculty support	3,330,722	1,607,058	—	4,937,780	334,323	5,272,103
Professorship/Chairs	5,756,113	1,805,611	—	7,561,724	4,828,964	12,390,688
Capital	1,484,219	743,158	—	2,227,377	64,714	2,292,091
Area of greatest need	4,838,861	8,724,871	8,242,276	21,806,008	6,380,049	28,186,057
	\$ 60,599,005	\$ 38,470,367	\$ 8,242,276	\$ 107,311,648	\$ 40,103,635	\$ 147,415,283

	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

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.

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.

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

Endowment net asset composition by type of fund:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (5,907,175)	\$ 19,782,643	\$ 51,489,375	\$ 65,364,843

Changes in endowment net assets for the year ended June 30, 2012:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (3,652,760)	\$ 21,698,193	\$ 49,298,044	\$ 67,343,477
Investment return:				
Investment income	28,648	2,726,851	160,094	2,915,593
Net appreciation	(2,299,441)	(611,282)	—	(2,910,723)
Total investment return	(2,270,793)	2,115,569	160,094	4,870
Contributions	—	—	2,031,237	2,031,237
Appropriation of endowment assets for expenditure	(432,827)	(3,581,914)	—	(4,014,741)
Other changes:				
Release from time restriction	449,205	(449,205)	—	—
Endowment net assets, end of year	\$ (5,907,175)	\$ 19,782,643	\$ 51,489,375	\$ 65,364,843

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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	3,863,975	4,970,939	—	8,834,914
Total investment return	3,893,010	8,550,996	150,734	12,594,740
Contributions	—	—	2,116,566	2,116,566
Appropriation of endowment assets for expenditure	(445,976)	(3,415,403)	—	(3,861,379)
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

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

	2012	2011
Permanently restricted endowment net assets	\$ 51,489,375	\$ 49,298,044
Permanently restricted pledges receivable	635,976	259,620
Permanently restricted beneficial interests in trusts	8,473,654	8,617,962
	\$ 60,599,005	\$ 58,175,626

Related Party

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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>2012</u>	<u>2011</u>
Fair market value of agency accounts - beginning of year	\$ 43,263,879	\$ 36,923,837
Contributions	478,145	1,032,682
Non-gift income and transfers	34,099	32,140
Net investment (loss) income	(269,290)	8,480,434
Distributions	(2,256,791)	(2,107,616)
Expense allocation for administration	(1,146,407)	(1,097,598)
	<hr/>	<hr/>
Fair market value of agency accounts - end of year	\$ 40,103,635	\$ 43,263,879

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.

Investments Held At Washburn University Foundation

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Amounts included in return on investments for the years ended June 30, 2012 and 2011 were:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 371,542	\$ 511,940
Net realized gains	(36,273)	183,210
Net unrealized gains	(383,492)	1,073,217
	<u>\$ (48,223)</u>	<u>\$ 1,768,367</u>

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, 2012 Page 1 Of 3

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Student Financial Aid Cluster			
Washburn University			
Federal Direct Student Loans	U.S. Department of Education	84.268	\$ 46,204,918
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education	84.007	249,000
Federal Work-Study Program	U.S. Department of Education	84.033	275,017
Federal Perkins Loan Program	U.S. Department of Education	84.038	910,216
Federal Pell Grant Program	U.S. Department of Education	84.063	10,197,174
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education	84.379	30,500
Washburn Institute Of Technology			
Federal Direct Student Loans	U.S. Department of Education	84.268	1,486,978
Federal Work-Study Program	U.S. Department of Education	84.033	15,864
Federal Pell Grant Program	U.S. Department of Education	84.063	<u>1,133,786</u>
Total Student Financial Aid Cluster			<u>60,503,453</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	83,442
Kansas Biomedical Research New Faculty Recruitment	U.S. Department of Health and Human Services / University of Kansas Medical Center	93.389	24,850
Astrophysical Ionizing Photon Events Primary Productivity of Earth's Oceans	NASA	43.AAA	139,412
Total Research And Development Cluster			<u>247,704</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2012 Page 2 Of 3

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	\$ 8,008
Perkins III Program Improvement	U.S. Department of Education/ Kansas Board of Regents	84.048	77,000
Trans-Atlantic Double Degree in Nursing	U.S. Department of Education	84.116J	112,892
TRAC-7 DOLETA Grant	U.S. Department of Labor	17.282	1,260,231
Mobile/Handheld DTV	U.S. Department of Commerce/ Corporation for Public Broadcasting	11.550	97,769
Facilities: Renewable Energy - ARRA	U.S. Department of Energy/ Kansas Corporation Commission	81.128	9,305
PBS WARN System	U.S. Department of Commerce Corporation for Public Broadcasting	11.555	14,650
Early Reading First	U.S. Department of Education/ Topeka Public Schools USD 501	84.359B	8,011
Ready to Learn - ARRA	U.S. Department of Education/ Kansas Department of Social and Rehabilitation Services	84.295	26,805
PBS TeacherLine	U.S. Department of Education/ Public Broadcasting Service	84.286A	1,391
Small Business Development Center	Small Business Administration/ Fort Hays State University	59.037	82,613
Mulvane Art Museum: Outreach Support	Institute of Museum & Library Services	45.301	39,719
AmeriCorps *VISTA Project Support	Corporation for National Service	94.013	53,852
Nursing: HRSA Traineeship	U.S. Department of Health and Human Services - HRSA Department	93.358	20,001
Law School: Georgia Project	USAID passed-through the East-West Management Institute	98.011	220,030

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2012 Page 3 Of 3

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount
Washburn Institute Of Technology			
A-OK Grant	U.S. Department of Education/ Kansas Board of Regents	17.258	\$ 833
TRAC-7 DOLETA Grant	U.S. Department of Labor	17.282	328,054
Perkins III Program Improvement and Perkins Reserve Fund	U.S. Department of Education/ Kansas Board of Regents	84.048	2,185
Perkins III Program Improvement and Perkins Reserve Fund	U.S. Department of Education/ Kansas Board of Regents	84.048	<u>224,698</u>
Total Other			<u>2,588,047</u>
Total			<u><u>\$ 63,339,204</u></u>

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2012

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. Expenditures related to the Perkins Loan Program included in the schedule of expenditures of federal awards was \$910,216 for the year ended June 30, 2012.
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	University of Kansas	43.AAA	\$ 30,931
Astrophysical Ionizing Photon Events & Primary Productivity on Earth's Oceans	Smithsonian Institute	43.AAA	81,712

**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, 2012, which collectively comprise its basic financial statements and have issued our report thereon dated November 16, 2012, 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 8, 2012.

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

November 16, 2012

**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, 2012. 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, 2012. 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 2012-1 through 2012-5.

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 certain deficiencies in internal controls over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-1 through 2012-5. 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

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

November 16, 2012

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For The Year Ended June 30, 2012

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
TRAC-7 DOLETA Grant	17.282
Perkins III Program Improvements	84.048

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

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings And Questioned Costs

Finding 2012-1

Federal Award No. 17.282 and 18.048 TRAC-7 and Perkins III Program Improvements

Criteria: Funds drawn down in advance of expenditure must be spent within a certain time frame from when the draw occurred. For the TRAC-7 grant these guidelines are disclosed in the grant agreement. For the Perkins III Program Improvements grant, the guidelines are stipulated through informal communication with the Kansas Board of Regents, the sub-grantor.

Condition: For the TRAC-7 grant, the entity performed the last draw down for their fiscal year on June 18, 2012. This draw down was to cover expenditures through June 23, 2012. Out of the total draw down of \$358,876.28, \$1,986.16 was for expenditures outside the 48 hour time period allowed between the draw down and the expenditure.

For the Perkins III Program Improvements grant, three of the four draws tested were not expensed within the 72 hour timeframe required by the Kansas Board of Regents; the pass-through grantor.

Effect: The draw down of funds was not in compliance with predetermined guidelines.

Questioned Costs: None because the costs were for allowable activities.

Cause: For the TRAC-7 grant, The University drew down funds which they expected to spend before the end of the fiscal year, so as not to have a large funding deficit at year end. The University was unaware that funds drawn down for the program must be spent within 48 hours of the draw occurring. All other draws that occurred during the fiscal year were on a reimbursement basis.

For the Perkins III Program Improvements grant, the University does not have current policies or procedures in place to insure that the funds received from the Kansas Board of Regents are spent within the required timeframe.

Recommendation: The University should consider revisions to processes and related controls regarding cash management activities to ensure that funds are spent within the required timeframe.

Corrective Action Plan: With respect to the TRAC-7 grant, management has instructed grants accounting staff to not request funds in advance of expenditures being made. Future drawdowns will be made only on a reimbursement basis.

With respect to the Perkins III Program Improvements grant, a portion of the finding is due to conflicting instructions received from the Kansas Board of Regents (KBOR). Correspondence received from KBOR on June 20, 2012 states that the last date to draw down fiscal 2012 funds was June 22, 2012. Further, the fiscal 2013 “Perkins Grant Calendar” provided by KBOR states that the last date to return unspent fiscal 2012 funds was August 1, 2012. The University returned its unspent funds on July 20, 2012. For this final draw, the University believes it complied with the direction given by KBOR with respect to expenditure or return of funds.

To avoid similar situations in the future, management has instructed grants accounting staff to develop procedures to ensure that expenditure windows are accurately identified and complied with. Any apparent conflicts in instructions from KBOR are to be clarified well in advance of the earliest possible deadline.

Completion Date: October 2012

Finding 2012-2

Federal Award No. 17.282 TRAC-7

Criteria: According to the A-133 Compliance Supplement, Part 3, “Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).”

Condition: The University did not include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. Additionally, the contract did not include a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. The contractor and subcontractors were only submitting certified payrolls when they submitted pay estimates.

Effect: Non-compliance with the Davis Bacon Act could occur related to contractor and sub-contractor payrolls without the University's knowledge.

Questioned Costs: None based on payrolls tested in our sample.

Cause: The entity does not have sufficient internal controls to ensure that construction contracts subject to the Davis-Bacon Act include a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and DOL regulations. Additionally, the University's controls that are in place are not properly designed to ensure that contractors and subcontractors submit certified payrolls on a weekly basis and that certified payrolls are properly reviewed to ensure that the correct prevailing wages are being paid.

Recommendation: The University should review and consider revisions to their processes and related controls regarding Davis-Bacon requirements to ensure that Davis-Bacon requirements are explicitly stated in all construction contracts subject to the Davis-Bacon Act and DOL regulations. Additionally, the University should review and consider revision to their processes and related controls regarding Davis-Bacon requirements to ensure that they are receiving and reviewing certified payrolls from all contractors and subcontractors on a weekly basis.

Corrective Action Plan: The University will update or develop contract compliance checklists and instructions to be furnished to both the University Counsel and the Purchasing Department. These tools will include the requirement that all construction contracts include explicit statements setting out the contractor's obligation to comply with Davis-Bacon and DOL regulations. Such statements will include the requirement for the contractor to submit certified payrolls to the University for review on a timely basis.

In addition, compliance checklists and instructions will be developed and furnished to University Facilities Services personnel who are managing construction contracts to guide them in reviewing contractor information to ensure compliance with the requirements of Davis-Bacon.

Completion Date: June 30, 2013

Finding 2012-3

Federal Award No. 17.282

TRAC-7

Criteria: According to OMB Circular A-133, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the lower tier entity is not suspended, debarred or otherwise excluded.

Condition: The University did not perform the verification check for suspension and debarment on a timely basis for the two contracts that they entered into during fiscal year 2012. The search was performed after the contracts were executed and substantial work was performed.

Effect: The University could lose funding for not performing a verification check for suspension and debarment for covered transactions.

Questioned Costs: None because costs incurred on the contracts were for allowable activities.

Cause: The University does not have internal controls in place for procurement contracts requiring timely verification that the contracting entity is not suspended or debarred.

Recommendation: The University should improve the design and implementation of controls over the verification of contractors. Additionally, the University should require a certification from contracted entities verifying they are not suspended or debarred.

Corrective Action Plan: The University will implement the recommendations noted above

Completion Date: January 2013

Finding 2012-4

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

Criteria: According to the Student Financial Aid Handbook Volume 4, Chapter 1 the University must provide 2 types of notifications to students: (1) a general notification to all students receiving FSA funds and (2) a notice when loan funds are credited to a student's account. When the University credits the student's account it must notify the student or parent in writing of the anticipated date and amount of disbursement, student's right to cancel all or part of the loan, and procedures and the time by which the student must notify the school that he or she wishes to cancel the loan. This notification must be sent no earlier than 30 days before and no later than 30 days after crediting the students account.

Condition: Three out of the five students tested at Washburn Institute of Technology (Washburn Tech) were not provided with the proper loan notification information in regards to the disbursement of their Federal Direct Loans. Two of these students were not sent notification for both the fall and spring semester and 1 student was not sent notification in the spring semester.

Effect: Students are not properly notified of their rights and responsibilities with regard to loans being credited to their accounts.

Questioned Costs: Since students were not properly notified of their right to cancel, it is possible that eligible students would have chosen to cancel their disbursements/loans. It is not possible at this time to estimate the number of students that might have considered this option had they been properly notified, therefore we cannot estimate a monetary amount of questioned cost. No exceptions related to student eligibility were noted.

Cause: These exceptions occurred in the current year due to a process change in student disbursements. In prior years Washburn Tech disbursed physical checks to students for the amount of aid awarded. At the time the student received their physical aid check they were also given all required loan notification information. During 2011-2012 Washburn Tech changed their systems to allow direct deposits to students for aid. However, Washburn Tech did not also change the way loan notifications were communicated to students during this process change. As a result, students no longer receiving physical checks were also no longer receiving their loan notifications in accordance with the federal regulations.

Recommendation: The Washburn Tech Financial Aid Department should review and consider revisions to processes and related controls in place to notify students (or parents) of the required information, within the proper timeframe, when crediting student accounts with loan funds.

Corrective Action Plan:

Prior to November 1, 2012

For the 2012-2013 fall term, Washburn Tech utilized the loan notification method used prior to the 2011-2012 academic year. Students who received paper checks signed the check stub and initialed the right to cancel notice attached to the check stub.

Students who received their money via direct deposit were called into the Cashier's office within 30 days of disbursement to sign the right to cancel notice. If the student had not responded to this request as day 30 approached, the Financial Aid Officer visited the student classroom to notify them of their right to cancel and obtained their signature confirming receipt.

Students in each of the above scenarios received a copy of the right to cancel notification. Parents approved for a PLUS loan were mailed a notification of right to cancel. The notice was sent within 30 days of disbursement.

After September 30, 2012

Washburn Tech started sending right to cancel electronic notices to students' university email address. Parent borrowers will continue to receive their notification via letter

Completion Date: October 2012

Finding 2012-5

**Federal Award No. 18.048
Perkins III Program Improvements**

Criteria: During the grant year, program grantees are required to file three periodic reports with the granting agency, the Kansas Board of Regents (KBOR). Per communication with KBOR, if revisions are made to the program budget during the reporting period, these revisions should be included in the reporting package.

Condition: The University made a \$800 budget revision during one of the reporting periods and failed to include the revision in the reporting package sent to KBOR.

Effect: The reporting package sent to KBOR was not in compliance with guidelines determined by KBOR.

Questioned Costs: No questioned costs were noted.

Cause: The University communicated the budget revision to KBOR through an alternative method. The University was unaware that the budget revision was required to be included in the required reporting package.

Recommendation: The University should communicate with KBOR to receive clarified reporting requirements and adjust procedures and related controls as appropriate.

Corrective Action Plan: The University will implement the recommendation above.

Completion Date: December 2012

WASHBURN UNIVERSITY OF TOPEKA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For The Year Ended June 30, 2012

Finding 2011-1

Federal Award No. 84.268, 84.007, 84.033, 84.038, 84.063, 84.375, 84.376, 84.379 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.

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.

WASHBURN UNIVERSITY OF TOPEKA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (*CONTINUED*) For The Year Ended June 30, 2012

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.

Status: 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.



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Independent Accountants' Report On Supplementary Information

Board of Regents
Washburn University of Topeka

We have audited the financial statements of Washburn University of Topeka as of and for the years ended June 30, 2012 and 2011, and our report thereon dated November 16, 2012, which expressed an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

Overland Park, Kansas
November 16, 2012

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 1 - REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET

General Fund

For The Year Ended June 30, 2012

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 45,528,227	\$ 44,501,966	\$ (1,026,261)
Income from endowment fund	842,306	854,142	11,836
Sales tax and other taxes	18,054,719	18,054,719	—
State aid	10,955,683	10,955,920	237
Other income	2,925,309	3,510,841	585,532
Use of reserves	1,875,000	—	(1,875,000)
Transfer from smoothing fund	501,000	—	(501,000)
Auxiliary enterprises	6,699,655	6,601,225	(98,430)
Total Revenues	<u>87,381,899</u>	<u>84,478,813</u>	<u>(2,903,086)</u>
Expenditures			
Instruction	36,471,622	35,177,322	(1,294,300)
Public service, academic support and research	14,370,876	13,601,792	(769,084)
Student services	8,071,724	7,976,700	(95,024)
Institutional support	6,622,978	6,292,185	(330,793)
Maintenance of plant	7,399,078	6,941,086	(457,992)
Scholarships and fellowships	3,314,016	3,130,638	(183,378)
Other expenses and transfers	3,613,524	3,764,416	150,892
Contingency	3,000,000	—	(3,000,000)
Auxiliary enterprises	7,399,655	6,208,909	(1,190,746)
Total Expenditures	<u>90,263,473</u>	<u>83,093,048</u>	<u>\$ (7,170,425)</u>
Increase (Decrease) In Fund Balance	<u>\$ (2,881,574)</u>	1,385,765	
Fund Balance - Beginning Of Year		<u>18,369,872</u>	
Fund Balance - End Of Year		<u>\$ 19,755,637</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 2 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Debt Retirement And Construction Fund
For The Year Ended June 30, 2012**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,647,563	\$ 3,490,779	\$ (156,784)
Fees for parking improvements	25,038	25,038	—
Investment income	5,000	362	(4,638)
Transfer from other funds - debt service	2,126,425	2,126,425	—
Total Revenues	<u>5,804,026</u>	<u>5,642,604</u>	<u>(161,422)</u>
Expenditures			
Bond principal	1,680,000	1,680,000	—
Interest and commissions on bonds	897,996	897,895	(101)
Transfers for construction, repairs or equipping of new or existing buildings	2,725,038	3,219,808	494,770
State deferred maintenance loan repayment	425,625	425,625	—
Other	456,500	5,320	(451,180)
Contingency	—	—	—
Total Expenditures	<u>6,185,159</u>	<u>6,228,648</u>	<u>\$ 43,489</u>
Decrease In Fund Balance	<u>\$ (381,133)</u>	(586,044)	
Fund Balance - Beginning Of Year		<u>1,217,008</u>	
Fund Balance - End Of Year		<u>\$ 630,964</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 3 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Employee Benefits Contribution Fund
For The Year Ended June 30, 2012**

	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 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, 2012**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 358,723	\$ 342,508	\$ (16,215)
Investment income	5,000	2,155	(2,845)
Total Revenues	<u>363,723</u>	<u>344,663</u>	<u>(19,060)</u>
Expenditures			
Insurance premium	310,500	289,239	(21,261)
Litigation expense	340,000	1,035	(338,965)
Miscellaneous expense	5,000	5,105	105
Contingency	350,000	—	(350,000)
Total Expenditures	<u>1,005,500</u>	<u>295,379</u>	<u>\$ (710,121)</u>
Increase (Decrease) In Fund Balance	<u>\$ (641,777)</u>	49,284	
Fund Balance - Beginning Of Year		<u>1,174,272</u>	
Fund Balance - End Of Year		<u>\$ 1,223,556</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 5 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Sales Tax Smoothing Fund
For The Year Ended June 30, 2012**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ 500,000	\$ 1,208,055	\$ 708,055
Expenditures			
Transfer to building construction fund	400,000	—	(400,000)
Transfer to general fund	500,000	—	(500,000)
Contingency	300,000	—	(300,000)
Total Expenditures	1,200,000	—	\$ (1,200,000)
Decrease In Fund Balance	\$ (700,000)	1,208,055	
Fund Balance - Beginning Of Year		2,418,886	
Fund Balance - End Of Year		\$ 3,626,941	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 6 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Capital Improvement Fund
For The Year Ended June 30, 2012**

	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	250,000	—	(250,000)
Total Revenues	<u>1,140,000</u>	<u>890,000</u>	<u>(250,000)</u>
Expenditures			
Capital expenses	275,000	158,036	(116,964)
Non-mandatory transfers	890,000	890,000	—
Contingency	100,000	—	(100,000)
Total Expenditures	<u>1,265,000</u>	<u>1,048,036</u>	<u>\$ (216,964)</u>
Decrease In Fund Balance	<u>\$ (125,000)</u>	(158,036)	
Fund Balance - Beginning Of Year		<u>276,002</u>	
Fund Balance - End Of Year		<u>\$ 117,966</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 7 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET**
Washburn Institute Of Technology
For The Year Ended June 30, 2012

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 1,973,000	\$ 2,083,170	\$ 110,170
Tuition - participating districts	1,876,810	1,891,424	14,614
Vocational state aid	2,499,713	2,432,471	(67,242)
Vocational capital outlay	135,000	150,108	15,108
Interest on investments	25,000	39,227	14,227
Other sales and services	150,000	245,105	95,105
Use of reserves	775,000	—	(775,000)
Total Revenues	7,434,523	6,841,505	(593,018)
Expenditures			
Instruction	3,831,016	3,564,943	(266,073)
Academic support	470,610	389,059	(81,551)
Student services	775,724	839,903	64,179
Institutional support	268,141	277,742	9,601
Maintenance of plant	1,191,032	1,068,560	(122,472)
Other expenses and transfers	898,000	567,922	(330,078)
Contingency	800,000	—	(800,000)
Total Expenditures	8,234,523	6,708,129	\$ (1,526,394)
Increase (Decrease) In Fund Balance	\$ (800,000)	133,376	
Fund Balance - Beginning Of Year		4,131,269	
Fund Balance - End Of Year		\$ 4,264,645	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES - 2004 BOND ISSUE For The Year Ended June 30, 2012 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	544,325	4,505,230
Original issue premium on bonds	—	294,915
Total Revenues And Other Additions	544,325	19,050,145
Expenditures And Other Deductions		
Bond issuance costs	—	277,233
Bond insurance	—	154,096
Amount transferred to escrow account	—	14,111,355
Interest expense paid	544,325	4,505,230
Total Expenditures And Other Deductions	544,325	19,047,914
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 - 2011 BOND ISSUE For The Year Ended June 30, 2012 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	353,570	727,275
Original issue premium on bonds	—	16,170
Total Revenues And Other Additions	<u>353,570</u>	<u>14,243,445</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	353,570	727,275
Total Expenditures And Other Deductions	<u>353,570</u>	<u>14,234,865</u>
Cash Receipts Over 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, 2012

Revenues

Room rental	\$ 1,354,062
Less: vacancy loss	(62,749)
Net income from room rental	<u>1,291,313</u>

Receipts from coin machines, forfeited initial pay, guests, etc.	54,589
Reimbursement - employee benefits	<u>7,872</u>
Total Revenues	<u>1,353,774</u>

Expenditures

Salaries, director and resident assistants	62,591
Salaries, custodial	111,288
Benefits	7,872
Scholarships	27,192
Insurance	18,038
Utilities, telephone and cable	253,695
Repairs and operating supplies	20,613
Laundry	315
Contracted services	<u>3,648</u>
Total Expenditures	<u>505,252</u>

Net Operating Income 848,522

Debt Service - Transfer To Debt Retirement and Construction Fund (500,000)

Excess Of Cash Receipts Over Expenditures \$ 348,522

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 11 - COMBINING STATEMENT OF NET ASSETS

June 30, 2012

Page 1 Of 2

	Assets		
	Washburn University	Washburn Tech	Blended
Current Assets			
Cash and cash equivalents	\$ 35,786,720	\$ 4,882,715	\$ 40,669,435
Short-term equivalents	46,000	—	46,000
Taxes receivable	3,605,851	—	3,605,851
Accounts receivable, net of allowance	4,273,806	192,948	4,466,754
Receivable from Washburn University Foundation	1,735,652	29,705	1,765,357
Other current receivables	300,000	—	300,000
Inventories	898,968	—	898,968
Other assets	1,539,511	(171,436)	1,368,075
Total Current Assets	<u>48,186,508</u>	<u>4,933,932</u>	<u>53,120,440</u>
Noncurrent Assets			
Perkins loans receivable	800,219	—	800,219
Receivable from WEA	32,148,122	—	32,148,122
Equity in the net assets of WEA	13,173,042	—	13,173,042
Endowment investments	302,233	—	302,233
Bond issuance costs, net of accumulated amortization	429,588	—	429,588
Capital assets, net	85,770,062	2,016,449	87,786,511
Total Noncurrent Assets	<u>132,623,266</u>	<u>2,016,449</u>	<u>134,639,715</u>
Total Assets	<u>\$ 180,809,774</u>	<u>\$ 6,950,381</u>	<u>\$ 187,760,155</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 11 - COMBINING STATEMENT OF NET ASSETS

June 30, 2012

Page 2 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 7,994,098	\$ 260,667	\$ 8,254,765
Accrued compensated absences, current portion	1,432,722	93,010	1,525,732
Accrued postemployment benefits, current portion	72,861	—	72,861
Deferred revenue	1,452,771	(25)	1,452,746
Loan with Kansas Board of Regents, current portion	425,625	—	425,625
Loan payable, current portion	45,635	10,756	56,391
Building revenue bonds, current portion	1,730,000	—	1,730,000
Deposits held in custody for others	220,631	—	220,631
Total Current Liabilities	<u>13,374,343</u>	<u>364,408</u>	<u>13,738,751</u>
Non-Current Liabilities			
Accrued compensated absences	79,956	3,373	83,329
Accrued postemployment benefits	—	189,213	189,213
Loan payable	273,809	46,979	320,788
Loan with Kansas Board of Regents	1,276,875	—	1,276,875
Building revenue bonds	20,496,476	—	20,496,476
Total Non-Current Liabilities	<u>22,127,116</u>	<u>239,565</u>	<u>22,366,681</u>
Total Liabilities	<u>35,501,459</u>	<u>603,973</u>	<u>36,105,432</u>
Net Assets			
Invested in capital assets, net of related debt	62,607,489	1,373,507	63,980,996
Restricted			
Nonexpendable			
Endowments	28,104,281	—	28,104,281
Expendable			
Scholarships	15,101,462	193,630	15,295,092
Loans	1,360,610	—	1,360,610
Self-insurance	3,348,953	—	3,348,953
Capital projects	2,571,790	552,853	3,124,643
Debt service	3,825,733	—	3,825,733
Other	3,071,370	210,831	3,282,201
Unrestricted	25,316,627	4,015,587	29,332,214
Total Net Assets	<u>145,308,315</u>	<u>6,346,408</u>	<u>151,654,723</u>
Total Liabilities And Net Assets	<u>\$ 180,809,774</u>	<u>\$ 6,950,381</u>	<u>\$ 187,760,155</u>

WASHBURN UNIVERSITY OF TOPEKA

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

For The Year Ended June 30, 2012

Page 1 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Operating Revenues			
Tuition and fees	\$ 28,705,398	\$ 3,974,593	\$ 32,679,991
Federal grants and contracts	—	2,728	2,728
State and local grants and contracts	10,000	—	10,000
Sales and services of educational departments	1,146,035	157,988	1,304,023
Auxiliary enterprises			
Residential Living	2,282,009	—	2,282,009
Memorial Union	3,616,328	—	3,616,328
Other operating revenues	455,844	103,206	559,050
Total Operating Revenues	<u>36,215,614</u>	<u>4,238,515</u>	<u>40,454,129</u>
Operating Expenses			
Educational and general			
Instruction	35,253,748	3,974,628	39,228,376
Research	195,326	—	195,326
Public service	3,419,661	—	3,419,661
Academic support	9,485,895	763,509	10,249,404
Student services	9,009,769	850,344	9,860,113
Institutional support	6,131,820	277,742	6,409,562
Operatings and maintenance of plant	6,285,721	1,068,560	7,354,281
Depreciation	7,030,600	290,953	7,321,553
Financial aid	1,736,652	1,163,656	2,900,308
Auxiliary enterprises			
Residential Living	1,022,712	—	1,022,712
Memorial Union	3,715,197	—	3,715,197
Self-insurance claims, net of premiums	4,974,406	—	4,974,406
Total Operating Expenses	<u>88,261,507</u>	<u>8,389,392</u>	<u>96,650,899</u>
Operating Loss	<u>(52,045,893)</u>	<u>(4,150,877)</u>	<u>(56,196,770)</u>

WASHBURN UNIVERSITY OF TOPEKA

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

For The Year Ended June 30, 2012

Page 2 Of 2

	<u>Washburn University</u>	<u>Washburn Tech</u>	<u>Blended</u>
Nonoperating Revenues (Expenses)			
State appropriations	\$ 11,165,292	\$ 2,582,579	\$ 13,747,871
Local appropriations	24,006,062	—	24,006,062
Federal grants and contracts	13,594,540	1,422,592	15,017,132
State and local grants and contracts	855,099	377,021	1,232,120
Nongovernmental grants and contracts	149,598	—	149,598
Gifts	2,732,414	33,699	2,766,113
Investments income	3,233,698	46,018	3,279,716
Interest on indebtedness	(1,040,592)	—	(1,040,592)
Other nonoperating expenses	(1,369,567)	(93,857)	(1,463,424)
Total Nonoperating Revenues (Expenses)	<u>53,326,544</u>	<u>4,368,052</u>	<u>57,694,596</u>
Loss Before Other Revenues	1,280,651	217,175	1,497,826
Capital Grants - Federal	24,850	—	24,850
Capital Grants And Gifts - Non-Federal	1,267,283	—	1,267,283
Additions To Permanent Endowments	<u>160,571</u>	<u>—</u>	<u>160,571</u>
Change In Net Assets	2,733,355	217,175	2,950,530
Net Assets - Beginning Of Year	<u>142,574,960</u>	<u>6,129,233</u>	<u>148,704,193</u>
Net Assets - End Of Year	<u>\$ 145,308,315</u>	<u>\$ 6,346,408</u>	<u>\$ 151,654,723</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 13 - COMBINING STATEMENT OF CASH FLOWS For The Year Ended June 30, 2012

	Washburn University	Washburn Tech	Blended
Cash Flows From Operating Activities			
Tuition and fees	\$ 28,105,006	\$ 3,974,668	\$ 32,079,674
Grants and contracts	10,000	2,728	12,728
Auxiliary enterprise charges			
Residential Living	2,288,544	—	2,288,544
Memorial Union	3,652,123	—	3,652,123
Sales and services of educational departments	1,147,887	161,977	1,309,864
Collections of loans issued to students	155,080	—	155,080
Other receipts	410,682	103,206	513,888
Self-insurance premiums	396,986	—	396,986
Payments to suppliers	(12,585,049)	(1,939,310)	(14,524,359)
Payments to employees	(58,186,632)	(4,988,662)	(63,175,294)
Payments for scholarships and fellowships	(1,736,652)	(1,163,656)	(2,900,308)
Interfund transactions	(62,333)	62,333	—
Loans issued to students	(87,232)	—	(87,232)
Payments for self-insurance claims and administrative fees	(6,361,074)	—	(6,361,074)
Net Cash Used In Operating Activities	(42,852,664)	(3,786,716)	(46,639,380)
Cash Flows From Investing Activities			
Proceeds from sales and maturities of investments	6,999,557	—	6,999,557
Interest on investments	3,958,683	38,490	3,997,173
Purchase of investments	—	—	—
Net Cash Provided By Investing Activities	10,958,240	38,490	10,996,730
Cash Flows From Noncapital Financing Activities			
State appropriations	11,165,292	2,582,579	13,747,871
Local appropriations	23,835,003	—	23,835,003
Gifts and grants for other than capital purposes	17,530,653	1,786,077	19,316,730
Cash received from Topeka Public Schools	—	—	—
Federal Family Education loan receipts	51,702,470	1,524,416	53,226,886
Federal Family Education loan disbursements	(51,659,790)	(1,528,443)	(53,188,233)
Agency account transactions	(6,446)	—	(6,446)
Net Cash Provided By Noncapital Financing Activities	52,567,182	4,364,629	56,931,811
Cash Flows From Capital And Related Financing Activities			
Capital grants and gifts received	1,619,244	77,000	1,696,244
Purchase of capital assets	(7,780,576)	(804,501)	(8,585,077)
Principal paid on capital loans	(471,260)	(6,415)	(477,675)
Principal paid on long-term debt	(1,680,000)	—	(1,680,000)
Interest paid on long-term debt	(899,064)	—	(899,064)
Net Cash Used In Capital And Related Financing Activities	(9,211,656)	(733,916)	(9,945,572)
Increase (Decrease) In Cash And Cash Equivalents	11,461,102	(117,513)	11,343,589
Cash And Cash Equivalents - Beginning Of Year	24,325,618	5,000,228	29,325,846
Cash And Cash Equivalents - End Of Year	\$ 35,786,720	\$ 4,882,715	\$ 40,669,435