
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
WASHBURN UNIVERSITY OF TOPEKA
FINANCIAL STATEMENTS
JUNE 30, 2013

Index

	Page
Independent Auditors' Report	1 - 3
Management's Discussion And Analysis	4 - 15
Financial Statements	
Statement Of Net Position.....	16
Statement Of Revenues, Expenses And Changes In Net Position	17
Statement Of Cash Flows.....	18
Notes To Financial Statements	19 - 28
Supplementary Information	
Schedule Of Functional Expenses	29



RubinBrown LLP
Certified Public Accountants
& Business Consultants

10975 Grandview Drive
Suite 600
Overland Park, KS 66210

T 913.491.4144
F 913.491.6821

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Report On The Financial Statements

We have audited the accompanying financial statements of KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka (KTWU) as of and for the years then ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the KTWU's financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTWU, as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 1 to the financial statements, in 2013, KTWU adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the KTWU's financial statements. The accompanying supplementary information, as listed in the table of contents, 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

Overland Park, Kansas
January 24, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The following Management's Discussion and Analysis (MD&A) presents a discussion and analysis of the financial performance and activities of KTWU Television (KTWU or the Station) during the year ended June 30, 2013 and comparative data for the fiscal years ended June 30, 2012 and 2011. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and for this discussion and analysis.

Management is also responsible for maintaining the Station'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 Station'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.

The Reporting Entity

KTWU is a non-commercial educational television station serving 35 counties in eastern Kansas, 12 counties in northwest Missouri and one county in northeast Oklahoma. KTWU broadcasts 24 hours a day, providing a diversified service of digital programming for children, adult learners, educators and general audience viewing. KTWU serves over 170,000 households in the 134th designated market area according to Nielsen's station index and is licensed under Washburn University of Topeka (Washburn or the University).

Using The Financial Statements

The Station's financial statements are presented in a "business-type activity" format, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In addition to the MD&A, this pronouncement requires the following in a financial report:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Net Position;
- Statement of Cash Flows; and
- Notes to Financial Statements.

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

Management's Discussion And Analysis (*Continued*)

The Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows provide information on the Station as a whole and present a long-term view of the Station's finances. These statements present financial information in a form similar to that used by private corporations. In addition to the required information noted above, this report contains required supplementary information.

Financial Highlights Of The Fiscal Year Ended June 30, 2013

KTWU ended the year with total assets of \$5,201,724 and liabilities of \$440,440 compared to \$4,981,767 and \$509,028, respectively, at June 30, 2012. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$4,761,284 at June 30, 2013. This is an increase of \$288,545 over last year's net position of \$4,472,739.

Operating revenues were \$355,287 and operating expenses were \$3,730,564, resulting in a loss from operations of \$3,375,277. GASB Statement No. 34 requires the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB), to be classified as nonoperating revenues. As a result, the Station reports a net operating loss. This net operating loss does not present a complete picture of the Station's operations.

Such a complete picture of operations requires consideration of nonoperating revenues. For the year ended June 30, 2013, nonoperating revenues were \$3,412,658, which, when combined with other revenue sources of \$251,164 and the loss from operations, resulted in an overall increase of \$288,545 in net position, compared to a decrease of \$76,397 for the year ended June 30, 2012.

The Statement Of Net Position

The Statement of Net Position is the Station's balance sheet, presenting the financial position of KTWU at the end of the fiscal year. It includes all assets, liabilities, deferred outflows and inflows of resources, and net position of the Station. Net position is one indicator of the current financial condition of KTWU, while the change in net position 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. The primary exception is capital assets, which are stated at historical cost, net of accumulated depreciation.

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

Management's Discussion And Analysis (*Continued*)

A condensed comparison of the Station's assets, liabilities and net position as of June 30, 2013, 2012 and 2011 is presented below:

Condensed Statements Of Net Position
As Of June 30, 2013 Through 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Current assets	\$ 489,649	\$ 561,695	\$ 516,322
Other assets	1,497,334	1,209,962	1,282,726
Capital assets, net	3,214,741	3,210,110	3,271,535
	<u>5,201,724</u>	<u>4,981,767</u>	<u>5,070,583</u>
Liabilities			
Current liabilities	212,266	212,386	202,004
Noncurrent liabilities	228,174	296,642	319,443
	<u>440,440</u>	<u>509,028</u>	<u>521,447</u>
Total Net Position	<u>\$ 4,761,284</u>	<u>\$ 4,472,739</u>	<u>\$ 4,549,136</u>
Net Position Consists Of			
Net investment in capital assets	\$ 2,940,932	\$ 2,890,667	\$ 2,906,457
Restricted - nonexpendable	857,321	857,321	857,321
Restricted - expendable	657,123	248,656	257,039
Unrestricted	305,908	476,095	528,319
Total Net Position	<u>\$ 4,761,284</u>	<u>\$ 4,472,739</u>	<u>\$ 4,549,136</u>

Assets

Significant assets consist of cash, receivables, restricted investments managed by Washburn University Foundation, equity in net assets of Washburn University Foundation and capital assets.

Current assets, which consisted primarily of cash, receivables, and prepaid expenses; totaled \$489,649, \$561,695 and \$516,322, respectively, at June 30, 2013, 2012 and 2011. Total current assets at June 30, 2013, 2012 and 2011 covered current liabilities 2.3 times, 2.6 times and 2.6 times, respectively, an indicator of excellent liquidity. Capital assets, which represented 61.8 percent, 64.4 percent and 64.5 percent of total assets at June 30, 2013, 2012 and 2011, respectively, represent the assets' historical cost net of accumulated depreciation.

Liabilities

Significant liabilities include accounts payable, accrued payroll, compensated absences and a loan from the State of Kansas used in prior years to purchase digital television transmission equipment.

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

Management's Discussion And Analysis (*Continued*)

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, presents KTWU's equity in capital assets - the property, plant and equipment owned by KTWU, net of the indebtedness relating to capital assets.

The next category is restricted net position, 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 position is subject to externally-imposed restrictions governing its use. This category of net position 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 donors and/or external parties that have placed time or purpose restrictions on the use of the assets. This category of net position includes funds held for the purchase of digital television equipment, grants received and funds for special projects.

The final category is unrestricted net position. Unrestricted net position is available for use by KTWU for any legal purpose.

The Statement Of Revenues, Expenses And Changes In Net Position

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

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

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

Management's Discussion And Analysis (*Continued*)

The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund KTWU's operating activities for the years ended June 30, 2013, 2012 and 2011.

Condensed Statement Of Revenues, Expenses And Changes In Net Position
For The Years Ended June 30, 2013, 2012 And 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 355,287	\$ 324,051	\$ 342,976
Operating expenses	3,730,564	3,975,360	4,064,495
	<u>(3,375,277)</u>	<u>(3,651,309)</u>	<u>(3,721,519)</u>
Nonoperating revenues and expenses	3,412,658	3,574,912	3,594,080
Income (loss) before other revenues	37,381	(76,397)	(127,439)
Other revenues	251,164	—	—
Change in net position	288,545	(76,397)	(127,439)
Net position at beginning of year	4,472,739	4,549,136	4,676,575
Net position at end of year	<u>\$ 4,761,284</u>	<u>\$ 4,472,739</u>	<u>\$ 4,549,136</u>

Fiscal Year 2013 Compared To Fiscal Year 2012

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of \$288,545 during the year ended June 30, 2013, compared to a decrease in net position of \$76,397 during fiscal year 2012. Some highlights of the information in this statement follow.

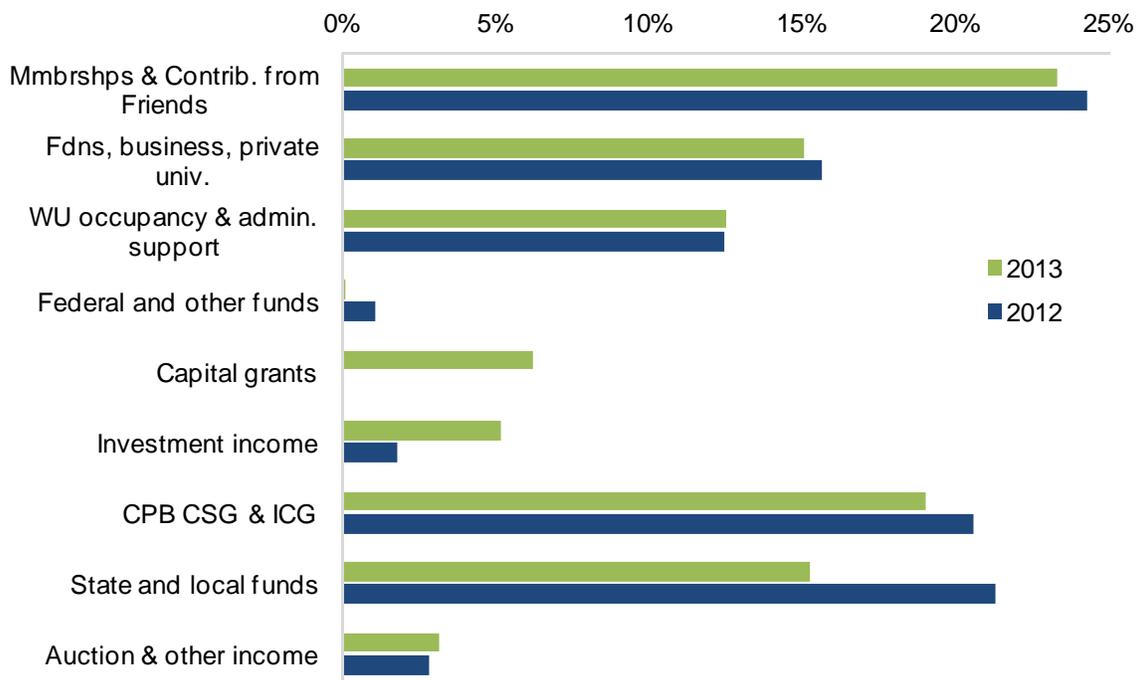
**KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA**

Management’s Discussion And Analysis (*Continued*)

Revenues

The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund KTWU’s operating activities for the years ended June 30, 2013 and 2012.

**Revenues By Source
Years Ended June 30, 2013 And 2012**



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 42.3 percent of KTWU’s revenue for the year ended June 30, 2013 compared to 44.8 percent for the year ended June 30, 2012. State and local funds accounted for 15.2 percent of revenue for the year ended June 30, 2013 compared to 21.3 percent for the year ended June 30, 2012.

Fiscal Year 2012 Compared To Fiscal Year 2011

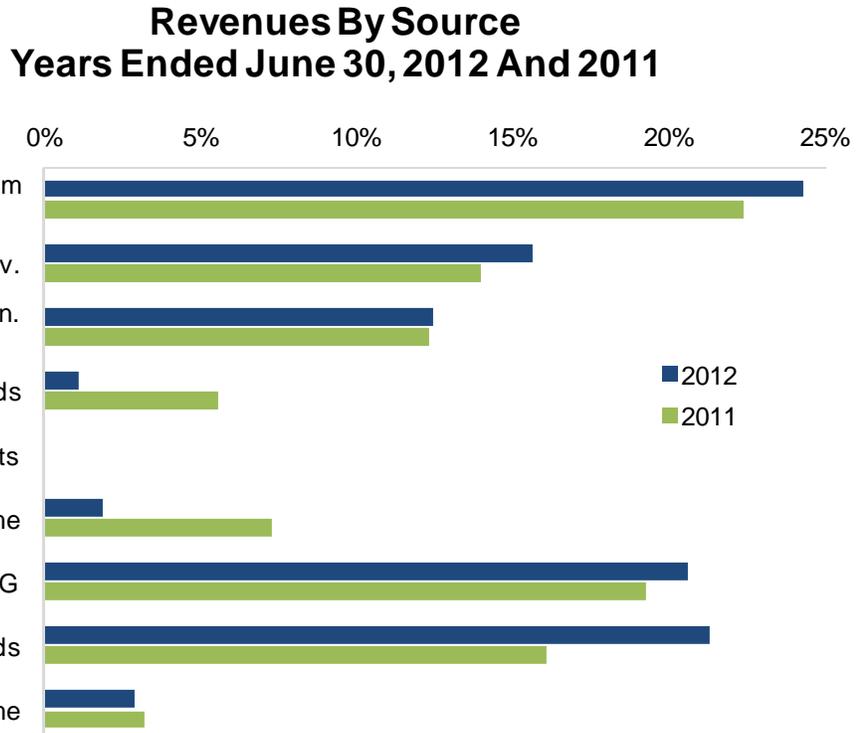
The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$76,397 during the year ended June 30, 2012 compared to a decrease in net position of \$127,439 during fiscal year 2011. Some highlights of the information in this statement follows.

**KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY 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 KTWU’s operating activities for the years ended June 30, 2012 and 2011.



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 44.8 percent of KTWU’s revenue for the year ended June 30, 2012 compared to 41.6 percent for the year ended June 30, 2011. State and local funds accounted for 21.3 percent of revenue for the year ended June 30, 2012 compared to 16.1 percent for the year ended June 30, 2011.

KTWU continues its efforts to increase its revenue, along with pursuing cost containment initiatives. This is necessary as the public television funding at the Federal and State levels is being cut. Equipment originally purchased for the conversion to digital programming is aging and the cost of maintenance and replacement on the digital equipment is greater than that on analog equipment. Programming is another area where KTWU expects costs to increase mainly due to the fact that producing and purchasing digital programming is greater than that of analog programming.

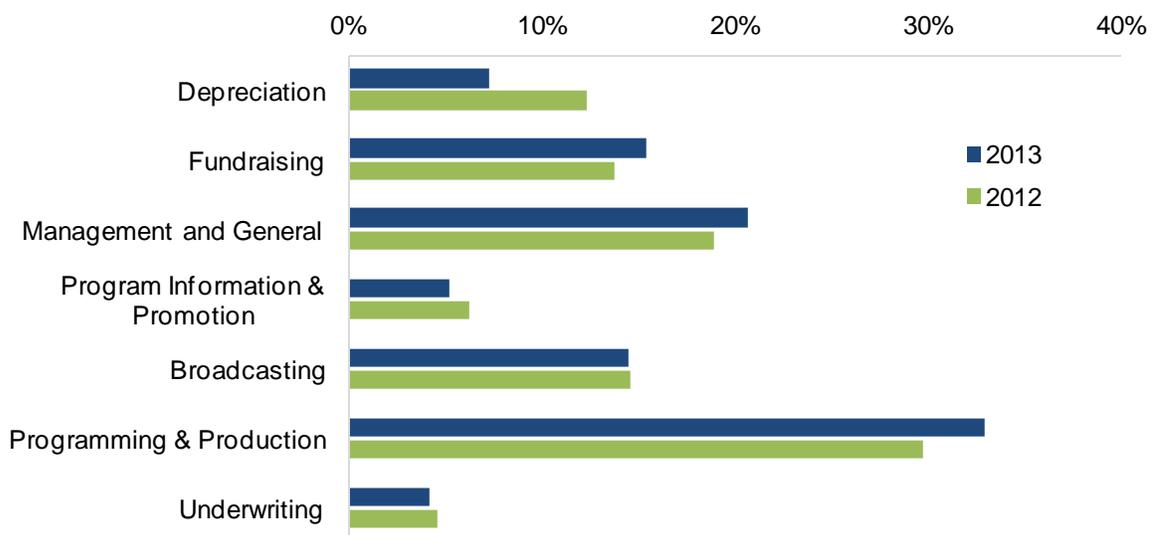
**KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY WASHBURN UNIVERSITY OF TOPEKA**

Management’s Discussion And Analysis (*Continued*)

Expenses

The following graphic illustration of expenses by function displays KTWU’s expenses to operate the station for the years ended June 30, 2013 and 2012.

**KTWU Expense By Function
Years Ended June 30, 2013 And 2012**



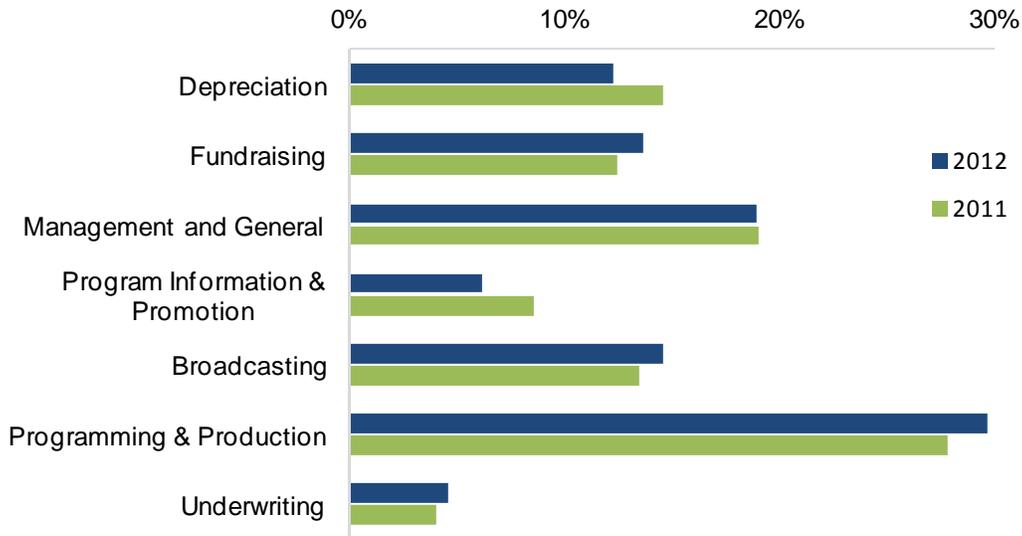
Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 52.6 percent of KTWU’s expenses for the year ended June 30, 2013 compared to 50.5 percent for the year ended June 30, 2012. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 47.3 percent of expenses for the year ended June 30, 2013 compared to 49.5 percent for the year ended June 30, 2012. KTWU’s effort to control expenses is reflected in the overall reduction of total expenses for the year.

The following graphic illustration of expenses by function displays KTWU’s expenses to operate the station for the years ended June 30, 2012 and 2011.

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

Management's Discussion And Analysis (*Continued*)

**KTWU Expense By Function
Years Ended June 30, 2012 And 2011**



Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 50.5 percent of KTWU's expenses for the year ended June 30, 2012 compared to 49.9 percent for the year ended June 30, 2011. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 49.5 percent of expenses for the year ended June 30, 2012 compared to 50.1 percent for the year ended June 30, 2011. KTWU's effort to control expenses is reflected in the overall reduction of total expenses for the year.

The Statement Of Cash Flows

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

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

Management's Discussion And Analysis (*Continued*)

The Statement of Cash Flows is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of KTWU. The second section reflects cash flows from non-capital 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 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 Position.

Even though GASB No. 34 treats the majority of KTWU's revenue (including CPB grants, state and local funds and memberships) as nonoperating revenues, these cash flows are critical to funding the operations of KTWU.

Condensed Statement Of Cash Flows
For The Years Ended June 30, 2013, 2012 And 2011

	2013	2012	2011
Cash provided by (used in):			
Operating activities	\$ (2,600,751)	\$ (2,518,377)	\$ (2,694,801)
Noncapital financing activities	2,691,094	3,030,350	2,768,590
Capital and related financing activities	(220,586)	(412,299)	32,421
Investing activities	(42,277)	15,393	146,500
Net change in cash	(172,520)	115,067	252,710
Cash - beginning of year	464,142	349,075	96,365
Cash - end of year	\$ 291,622	\$ 464,142	\$ 349,075

Fiscal Year 2013 Compared To Fiscal Year 2012

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

The cash position of KTWU decreased by \$172,520 for the fiscal year ended June 30, 2013 compared to an increase of \$115,067 for the fiscal year ended June 30, 2012.

Fiscal Year 2012 Compared To Fiscal Year 2011

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

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

Management's Discussion And Analysis (*Continued*)

The cash position of KTWU increased by \$115,067 for the fiscal year ended June 30, 2012 compared to an increase of \$252,710 for the fiscal year ended June 30, 2011.

Capital Assets

KTWU had a slight increase in capital assets during fiscal year 2013 compared to a decrease during fiscal year 2012. At June 30, 2013, KTWU had \$3.2 million invested in capital assets, net of accumulated depreciation, compared to \$3.2 million and \$3.3 million at June 30, 2012 and 2011, respectively. Depreciation charges totaled \$268,480 for the fiscal year ended June 30, 2013 compared to \$487,173 and \$593,239 for the fiscal years ended June 30, 2012 and 2011, respectively. Details of these assets are as follows:

Condensed Statement Of Capital Assets, Net Of Depreciation
As Of June 30, 2013 Through 2011

	2013	2012	2011
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	2,329,532	2,394,448	2,339,322
Transmitter and antenna	418,848	462,319	505,790
Transmission and broadcast equipment	118,305	160,447	379,523
Office equipment	320,880	151,070	19,724
Projects in progress	—	14,650	—
	\$ 3,214,741	\$ 3,210,110	\$ 3,271,535

Major capital additions during the fiscal year ended June 30, 2013 include equipment purchased for digital broadcasting and equipment purchased as part of an energy efficiency project.

Major capital additions during the fiscal year ended June 30, 2012 include new lighting on the transmission tower and equipment purchased for digital broadcasting.

Economic Outlook

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

KTWU 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.

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

Management's Discussion And Analysis (*Continued*)

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

Requests For Information

This financial report is designed to provide the reader a general overview of the Station'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.

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

STATEMENT OF NET POSITION

	June 30,	
	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 291,622	\$ 464,142
Accounts receivable	28,288	64,530
Grants receivable	157,424	—
Prepaid expenses	10,216	11,698
Prepaid lease	2,100	21,325
Total Current Assets	489,649	561,695
Noncurrent Assets		
Receivable from Washburn University Foundation	803,098	766,339
Equity in the net assets of Washburn University Foundation	667,811	410,490
Prepaid lease and extended lease	26,425	33,133
Capital assets, net	3,214,741	3,210,110
Total Noncurrent Assets	4,712,075	4,420,072
Total Assets	\$ 5,201,724	\$ 4,981,767
Liabilities And Net Position		
Current Liabilities		
Accounts payable	\$ 28,771	\$ 20,959
DTV loan from State of Kansas	45,635	45,635
Unearned revenue	25,420	44,534
Accrued payroll	13,069	9,843
Compensated absences	99,371	91,415
Total Current Liabilities	212,266	212,386
Non-Current Liabilities		
DTV loan from State of Kansas	228,174	273,808
Unearned revenue	—	22,834
Total Non-Current Liabilities	228,174	296,642
Total Liabilities	440,440	509,028
Net Position		
Net investment in capital assets	2,940,932	2,890,667
Restricted for		
Nonexpendable		
Endowments (gift value)	857,321	857,321
Expendable		
Other	657,123	248,656
Unrestricted	305,908	476,095
Total Net Position	\$ 4,761,284	\$ 4,472,739

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

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2013	2012
Operating Revenues		
Auction and special fundraising events	\$ 88,080	\$ 67,375
Tower lease payments	228,494	212,801
RTL workshops	30	1,445
Miscellaneous operating revenues	38,683	42,430
Total Operating Revenues	355,287	324,051
Operating Expenses		
Support services		
Management and general	768,587	746,921
Fundraising and membership development	575,185	543,955
Underwriting and grant solicitation	152,056	183,787
Program services		
Programming and production	1,229,479	1,182,487
Broadcasting	542,018	584,337
Program information and promotion	194,759	246,700
Depreciation	268,480	487,173
Total Operating Expenses	3,730,564	3,975,360
Operating Loss	(3,375,277)	(3,651,309)
Nonoperating Revenues		
Community services and interconnection grants from Corporation for Public Broadcasting	763,876	801,422
State and local funds	611,798	830,308
Federal grants	4,333	40,096
Other grants	—	2,560
Foundations, business and industry and private university contributions	377,670	397,008
Memberships and subscriptions	937,837	946,456
Donated facilities and administrative support from Washburn University of Topeka	503,842	485,542
Investment income	213,302	71,520
Total Nonoperating Revenues	3,412,658	3,574,912
Income (Loss) Before Capital Grants	37,381	(76,397)
Capital Grants		
Federal	153,429	—
State and local	97,735	—
Change In Net Position	288,545	(76,397)
Net Position - Beginning Of Year	4,472,739	4,549,136
Net Position - End Of Year	\$ 4,761,284	\$ 4,472,739

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

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2013	2012
Cash Flows From Operating Activities		
Other operating revenues	\$ 353,027	\$ 324,051
Payments to suppliers	(1,292,118)	(1,121,631)
Payments to employees	(1,661,660)	(1,720,797)
Net Cash Used In Operating Activities	(2,600,751)	(2,518,377)
Cash Flows Provided By (Used In) Investing Activities		
Interest and dividends received	(42,277)	15,393
Cash Flows From Noncapital Financing Activities		
CPB funds, state and local funds	1,375,587	1,684,326
Underwriting and other revenues	377,670	399,568
Memberships and subscriptions	937,837	946,456
Net Cash Provided By Noncapital Financing Activities	2,691,094	3,030,350
Cash Flows From Capital And Related Financing Activities		
Capital grants and gifts received	93,740	—
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets and related activities	(268,691)	(366,664)
Net Cash Used In Capital And Related Financing Activities	(220,586)	(412,299)
Change In Cash And Cash Equivalents	(172,520)	115,067
Cash And Cash Equivalents - Beginning Of Year	464,142	349,075
Cash And Cash Equivalents - End Of Year	\$ 291,622	\$ 464,142
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (3,375,277)	\$ (3,651,309)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	268,480	487,173
Donated facilities and administrative support from Washburn University of Topeka	503,842	485,542
Changes in assets and liabilities:		
Accounts receivable	(2,260)	76,665
Prepaid expenses and other assets	27,417	50,336
Accounts payable and unearned revenue	(34,135)	46,679
Accrued payroll and compensated absences	11,182	(13,463)
Net Cash Used In Operating Activities	\$ (2,600,751)	\$ (2,518,377)
Noncash Investing And Financing Activities		
Change in fair value of investments	\$ 294,081	\$ 12,467
Capital gifts	4,420	—

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 And 2012

1. Nature Of Operations And Summary Of Significant Accounting Policies

The accounting policies of KTWU Television (KTWU or the Station) conform to U.S. generally accepted accounting principles applicable to state and local governments engaged only in business-type activities, as adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

KTWU is operated by Washburn University of Topeka (the University) as a separate department of the University. All amounts contained in this report are included in the audited financial statements of the University, as of and for the years ended June 30, 2013 and 2012.

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 or a benefit has been received, regardless of the timing of related cash flows.

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

Certain significant revenues relied upon for operations, such as grants, contributions and memberships and subscriptions, do not result from exchange transactions, and are recorded as nonoperating revenues. These revenues are recognized in the year in which all eligibility requirements have been satisfied.

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

Notes To Financial Statements (*Continued*)

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for the year ended June 30, 2013. This statement 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. Adoption of this statement had no impact on the Station’s financial position.

The Station has elected to early-adopt the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement is related to GASB No. 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. Adoption of this statement had no impact on the Station’s financial position.

Functional Allocation Of Expenses

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

Cash

KTWU participates in a pooled cash account with the University.

Accounts Receivable

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

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

Notes To Financial Statements (*Continued*)

Restricted Investments Managed By Washburn University Foundation

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

Capital Assets

Capital assets, including projects in progress, are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend the life of the asset, are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. KTWU capitalizes interest on the construction of capital assets when material; no interest was capitalized for the years ended June 30, 2013 and 2012.

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

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

Compensated Absences

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

Net Position

KTWU's net position is classified as follows:

Net Investment in Capital Assets

This represents KTWU's total investment in capital assets, net of accumulated depreciation and related debt.

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

Notes To Financial Statements (*Continued*)

Restricted Net Position - Nonexpendable

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

Restricted Net Position - Expendable

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

Unrestricted Net Position

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

Pension Plan

The University provides retirement benefits for all of KTWU's employees who meet eligibility requirements, through individual annuities with TIAA-CREF. Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employees. Total expenses charged to KTWU by the University amounted to approximately \$123,000 and \$117,000 for the years ended June 30, 2013 and 2012, respectively.

In-Kind Contributions

Donated facilities from Washburn University of Topeka consist of office and studio space, together with related occupancy costs, and are recorded in revenue and expense on the statements of revenues, expenses and changes in net position in the amount of \$503,842 and \$485,542 for the years ended June 30, 2013 and 2012, respectively. Occupancy costs are based on estimated fair values per an appraisal; administrative costs are allocated based on expenditures.

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

Notes To Financial Statements (*Continued*)

Income Taxes

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

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain 2012 amounts have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on total net position.

2. Cash And Investments

The University maintains a cash and investment pool that is available for use by the Station.

Deposits

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

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

KTWU had no bank balances exposed to custodial credit risk at June 30, 2013 and 2012.

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

Notes To Financial Statements (*Continued*)

Investments

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

Custodial credit risk for investments is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KTWU had no investments exposed to custodial credit risk at June 30, 2013 and 2012.

KTWU currently does not maintain a formal investment policy that addresses credit or interest rate risk. However, management believes KTWU has complied with the State of Kansas' statutes and regulations regarding investment activity.

3. Receivable From Washburn University Foundation

Receivable from Washburn University Foundation consists of KTWU's participation in investments managed by WUF in the amount of \$803,098 and \$766,339 at June 30, 2013 and 2012, respectively. As KTWU does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of WUF's investments is recorded as a receivable from WUF.

4. Equity In The Net Assets Of Washburn University Foundation

Contributions for specific capital projects and other activities are being held and invested by WUF until KTWU requests the funds be transferred to the Station. KTWU had a claim on the net assets of WUF in the amount of \$667,811 and \$410,490 as of June 30, 2013 and 2012, respectively.

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

Notes To Financial Statements (*Continued*)

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013 follows:

	2013				Balance - June 30, 2013
	Balance - July 1, 2012	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Projects in progress	14,650	165,590	(180,240)	—	—
Total capital assets, not being depreciated	41,826	165,590	(180,240)	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,813,594	31,275	—	—	3,844,869
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	6,077,704	45,007	—	(198,464)	5,924,247
Furniture and equipment	560,363	211,479	—	(7,320)	764,522
Total capital assets, being depreciated	11,387,932	287,761	—	(205,784)	11,469,909
Less accumulated depreciation for					
Buildings, tower and improvements	(1,419,146)	(96,191)	—	—	(1,515,337)
Transmitters and antenna	(473,952)	(43,471)	—	—	(517,423)
Transmitters and broadcast equipment	(5,917,257)	(87,149)	—	198,464	(5,805,942)
Furniture and equipment	(409,293)	(41,669)	—	7,320	(443,642)
Total accumulated depreciation	(8,219,648)	(268,480)	—	205,784	(8,282,344)
Total capital assets being depreciated, net	3,168,284	19,281	—	—	3,187,565
Total capital assets	\$ 3,210,110	\$ 184,871	\$ (180,240)	\$ —	\$ 3,214,741

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

Notes To Financial Statements (*Continued*)

A summary of changes in capital assets for the year ended June 30, 2012 follows:

	2012				Balance - June 30, 2012
	Balance - July 1, 2011	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Projects in progress	—	—	14,650	—	14,650
Total capital assets, not being depreciated	27,176	—	14,650	—	41,826
Capital assets, being depreciated					
Buildings, tower and improvements	3,667,494	146,100	—	—	3,813,594
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,979,620	115,650	—	(17,566)	6,077,704
Furniture and equipment	414,404	149,348	—	(3,389)	560,363
Total capital assets, being depreciated	10,997,789	411,098	—	(20,955)	11,387,932
Less accumulated depreciation for					
Buildings, tower and improvements	(1,328,172)	(90,974)	—	—	(1,419,146)
Transmitters and antenna	(430,481)	(43,471)	—	—	(473,952)
Transmitters and broadcast equipment	(5,600,097)	(334,726)	—	17,566	(5,917,257)
Furniture and equipment	(394,680)	(18,002)	—	3,389	(409,293)
Total accumulated depreciation	(7,753,430)	(487,173)	—	20,955	(8,219,648)
Total capital assets being depreciated, net	3,244,359	(76,075)	—	—	3,168,284
Total capital assets	\$ 3,271,535	\$ (76,075)	\$ 14,650	\$ —	\$ 3,210,110

6. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2013 and 2012:

	Balance - June 30, 2012	Additions	Reductions	Balance - June 30, 2013	Due Within One Year
DTV Loan	\$ 319,443	\$ —	\$ (45,634)	\$ 273,809	\$ 45,635

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

Notes To Financial Statements (*Continued*)

	Balance - June 30, 2011	Additions	Reductions	Balance - June 30, 2012	Due Within One Year
DTV Loan	\$ 365,078	\$ —	\$ (45,635)	\$ 319,443	\$ 45,635

During fiscal year 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. The loan is payable over 10 years, with payments due each July 31, beginning in 2009. The loan 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, 2013 and 2012 was 0.28% and 0.24%, respectively, and will reset on February 1, 2014. The balance of the loan was \$273,809 and \$319,443 on June 30, 2013 and 2012, respectively.

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

For The Year Ending June 30,	Principal	Interest	Total
2014	\$ 45,635	\$ 650	\$ 46,285
2015	45,635	522	46,157
2016	45,635	394	46,029
2017	45,635	266	45,901
2018	45,635	138	45,773
2019	45,634	11	45,645
	\$ 273,809	\$ 1,981	\$ 275,790

7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through December 2017. Total rents received under these agreements amounted to \$228,494 and \$212,801 for 2013 and 2012, respectively.

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

Notes To Financial Statements (*Continued*)

Remaining future minimum receipts under these lease agreements at June 30, 2013 are as follows:

<u>For The Year Ending June 30,</u>	<u>Lease Agreement</u>
2014	\$ 135,307
2015	133,357
2016	134,557
2017	83,179
2018	22,244
	<hr/> <hr/> <u>\$ 508,644</u>

8. Significant Estimates And Concentrations

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

Major Funding

During 2013 and 2012, KTWU received approximately 18.9 percent and 21.6 percent, respectively, of its operating and nonoperating revenues from the Corporation for Public Broadcasting.

Risk Management

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

Supplementary Information

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

SCHEDULE OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2013 And 2012

	<u>Support Services</u>			<u>Program Services</u>			2013	2012
	Management And General	Fundraising And Membership Development	Underwriting And Grant Solicitation	Programming And Production	Broadcasting	Program Information And Promotion		
Salaries and employee benefits	\$ 175,134	\$ 361,713	\$ 143,049	\$ 569,850	\$ 330,143	\$ 92,953	\$ 1,672,842	\$ 1,707,333
Donated facilities and administrative support	462,717	—	—	—	41,125	—	503,842	485,542
Professional services	8,305	12,983	—	26,714	9,330	7,767	65,099	47,812
Telephone and fax	21,672	—	—	—	2,029	—	23,701	21,829
Postage and freight	251	21,666	5,863	1,195	719	2,031	31,725	32,067
Printing and copier	395	6,591	1,365	277	—	779	9,407	8,802
Materials and supplies	15,447	88,690	—	5,687	12,085	32,361	154,270	160,687
Dues	27,595	270	—	53,527	—	26,582	107,974	104,205
Program expenses	2,580	—	—	544,990	880	—	548,450	519,858
Equipment and equipment rent	11,913	3,162	—	2,012	13,980	961	32,028	28,956
Equipment repair and maintenance	—	—	—	—	18,240	—	18,240	58,971
Computer equipment and software	1,066	3,353	—	5,418	6,043	32	15,912	27,279
Vehicle expense	3,139	—	—	865	120	—	4,124	2,227
Credit card expense	—	11,350	—	24	—	—	11,374	11,644
Utilities, trash hauling and insurance	8,636	—	—	5,785	98,546	—	112,967	111,722
Buildings and grounds	13,896	181	—	2,185	2,537	—	18,799	14,917
Travel	3,632	10,678	1,779	3,082	1,266	238	20,675	27,499
Marketing and advertising	993	42,020	—	4,661	275	29,584	77,533	88,159
Other expenses	11,216	12,528	—	3,207	4,700	1,471	33,122	28,678
Total Support And Program Services - 2013	\$ 768,587	\$ 575,185	\$ 152,056	\$ 1,229,479	\$ 542,018	\$ 194,759	\$ 3,462,084	\$ 3,488,187
Total Support And Program Services - 2012	\$ 746,921	\$ 543,955	\$ 183,787	\$ 1,182,487	\$ 584,337	\$ 246,700		