
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
WASHBURN UNIVERSITY OF TOPEKA
FINANCIAL STATEMENTS
JUNE 30, 2015

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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, 2015 and 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015 and 2014, 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.

Correction Of Error

As discussed in Note 1 to the financial statements, the 2014 financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

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 on pages 4 through 16 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

January 14, 2016

KTWU TELEVISION

A Public Telecommunications Entity

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2015 and comparative data for the fiscal years ended June 30, 2014 and 2013. 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 135th 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

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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 its 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, 2015

KTWU ended the year with total assets of \$5,007,170 and liabilities of \$326,544 compared to \$5,116,403 and \$373,090 respectively, at June 30, 2014. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$4,680,626 at June 30, 2015. This is a decrease of \$62,687 from last year's net position of \$4,743,313.

Operating revenues were \$330,217 and operating expenses were \$3,890,449, resulting in a loss from operations of \$3,560,232. 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, 2015, nonoperating revenues were \$3,487,344, which, when combined with other revenue sources of \$10,201 and the loss from operations, resulted in an overall decrease of \$62,687 in net position, compared to an increase of \$49,201 for the year ended June 30, 2014.

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Management's Discussion And Analysis (Continued)

Prior period adjustments were made to correct errors in the financial statements for the years ended June 30, 2014 and June 30, 2013. These errors were the result of mistakes in calculating underwriting revenues. Correction of these errors resulted in the following changes to previously reported amounts:

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents		
As originally reported	\$ 682,873	\$ 667,811
Correction of error	(312,156)	(67,172)
Restated	<u>\$ 370,717</u>	<u>\$ 600,639</u>
Restricted - Expendable Net Position		
As originally reported	\$ 636,541	\$ 657,123
Correction of error	(312,156)	(67,172)
Restated	<u>\$ 324,385</u>	<u>\$ 589,951</u>
Nonoperating Revenues		
As originally reported	\$ 3,754,306	\$ 3,412,658
Correction of error	(244,984)	(67,172)
Restated	<u>\$ 3,509,322</u>	<u>\$ 3,345,486</u>
Cash Provided By Noncapital Financing Activities		
As originally reported	\$ 3,051,788	\$ 2,691,094
Correction of error	(244,984)	(67,172)
Restated	<u>\$ 2,806,804</u>	<u>\$ 2,623,922</u>

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.

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Management's Discussion And Analysis (*Continued*)

A condensed comparison of the Station's assets, liabilities and net position as of June 30, 2015, 2014 and 2013 is presented below:

Condensed Statements Of Net Position As Of June 30, 2015, 2014 and 2013

	2015	2014	2013
Assets			
Current assets	\$ 223,491	\$ 491,932	\$ 422,477
Other assets	1,844,220	1,572,648	1,497,334
Capital assets, net	2,939,459	3,051,823	3,214,741
	<u>5,007,170</u>	<u>5,116,403</u>	<u>5,134,552</u>
Liabilities			
Current liabilities	189,640	190,551	212,266
Noncurrent liabilities	136,904	182,539	228,174
	<u>326,544</u>	<u>373,090</u>	<u>440,440</u>
Total Net Position	<u>4,680,626</u>	<u>4,743,313</u>	<u>4,694,112</u>
Net Position Consists Of			
Net investment in capital assets	2,756,920	2,823,649	2,940,932
Restricted - nonexpendable	799,975	865,450	857,321
Restricted - expendable	399,151	324,385	589,951
Unrestricted	724,580	729,829	305,908
Total Net Position	<u>\$ 4,680,626</u>	<u>\$ 4,743,313</u>	<u>\$ 4,694,112</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 \$223,491, \$491,932 and \$422,477, respectively, at June 30, 2015, 2014 and 2013. Total current assets at June 30, 2015, 2014 and 2013 covered current liabilities 1.2 times, 2.6 times and 2.0 times, respectively, an indicator of good liquidity. Capital assets, which represented 58.7 percent, 59.6 percent and 62.6 percent of total assets at June 30, 2015, 2014 and 2013, 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

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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.

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, 2015, 2014 and 2013.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

Condensed Statement Of Revenues, Expenses And Changes In Net Position For the Years Ended June 30, 2015, 2014 and 2013

	2015	2014	2013
Operating revenues	\$ 330,217	\$ 301,344	\$ 355,287
Operating expenses	3,890,449	3,839,415	3,730,564
	(3,560,232)	(3,538,071)	(3,375,277)
Nonoperating revenues and expenses	3,487,344	3,509,322	3,345,486
Income (loss) before other revenues	(72,888)	(28,749)	(29,791)
Other revenues	10,201	77,950	251,164
Change in net position	(62,687)	49,201	221,373
Net position at beginning of year	4,743,313	4,694,112	4,472,739
Net position at end of year	\$ 4,680,626	\$ 4,743,313	\$ 4,694,112

Fiscal Year 2015 Compared To Fiscal Year 2014

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$62,687 during the year ended June 30, 2015 compared to an increase in net position of \$49,201 during fiscal year 2014. Some highlights of the information in this statement follows.

Revenues

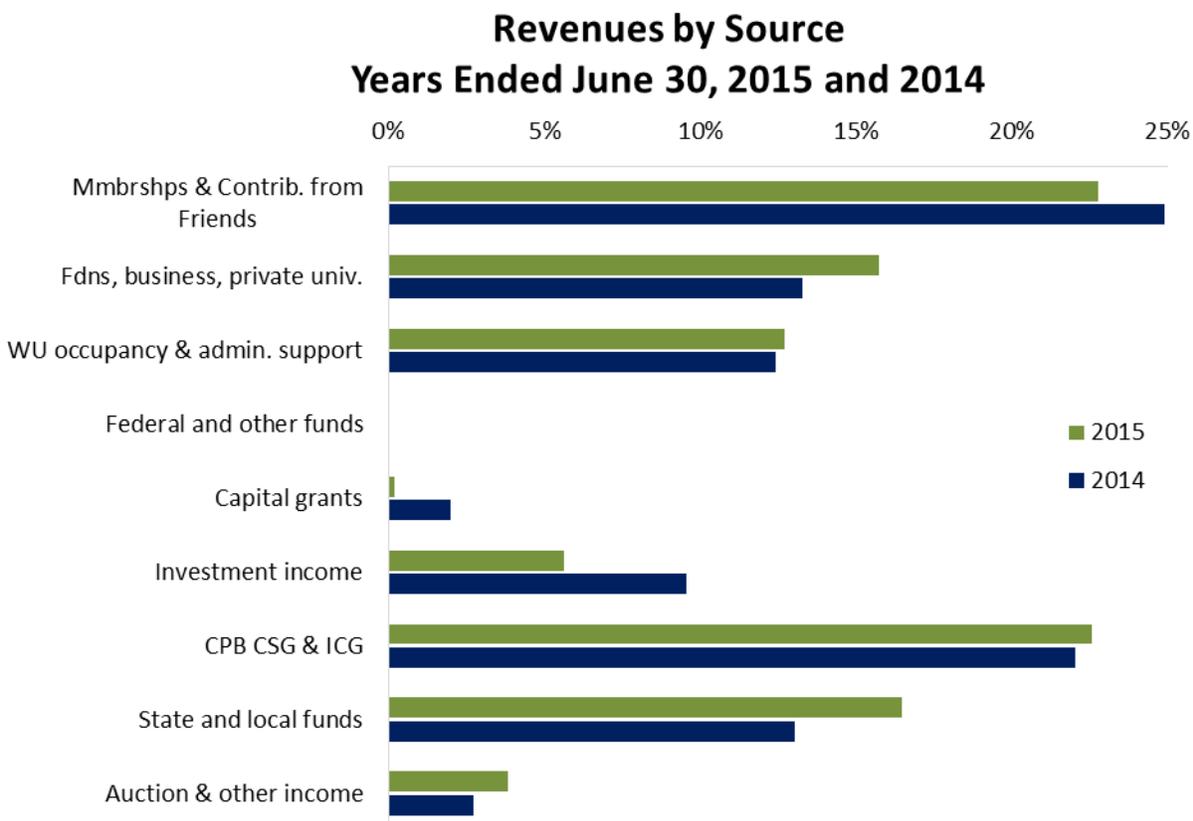
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund KTWU's operating activities for the years ended June 30, 2015 and 2014.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 45.4 percent of KTWU's revenue for the year ended June 30, 2015 compared to 46.9 percent for the year ended June 30, 2014. State and local funds accounted for 16.5 percent of revenue for the year ended June 30, 2015 compared to 13.0 percent for the year ended June 30, 2014.

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.

Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2015 and 2014.

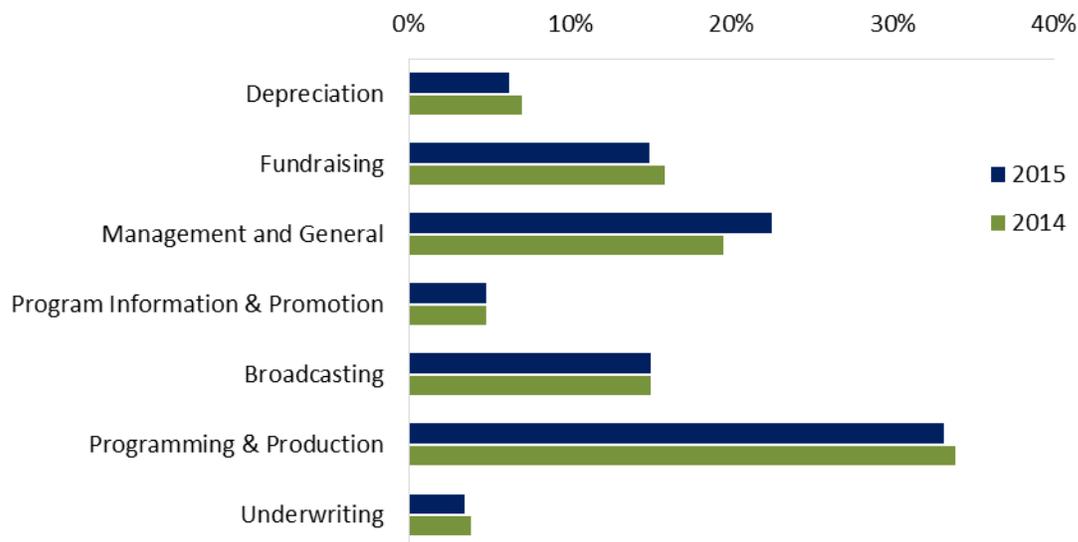
KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

KTWU Expense by Function Years Ended June 30, 2015 and 2014



Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 53.1 percent of KTWU's expenses for the year ended June 30, 2015 compared to 53.7 percent for the year ended June 30, 2014. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 46.9 percent of expenses for the year ended June 30, 2015 compared to 46.3 percent for the year ended June 30, 2014. KTWU's effort to control expenses is reflected in the overall reduction of total expenses for the year.

Fiscal Year 2014 Compared To Fiscal Year 2013

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of \$49,201 during the year ended June 30, 2014 compared to an increase in net position of \$221,373 during fiscal year 2013. Some highlights of the information in this statement follows.

Revenues

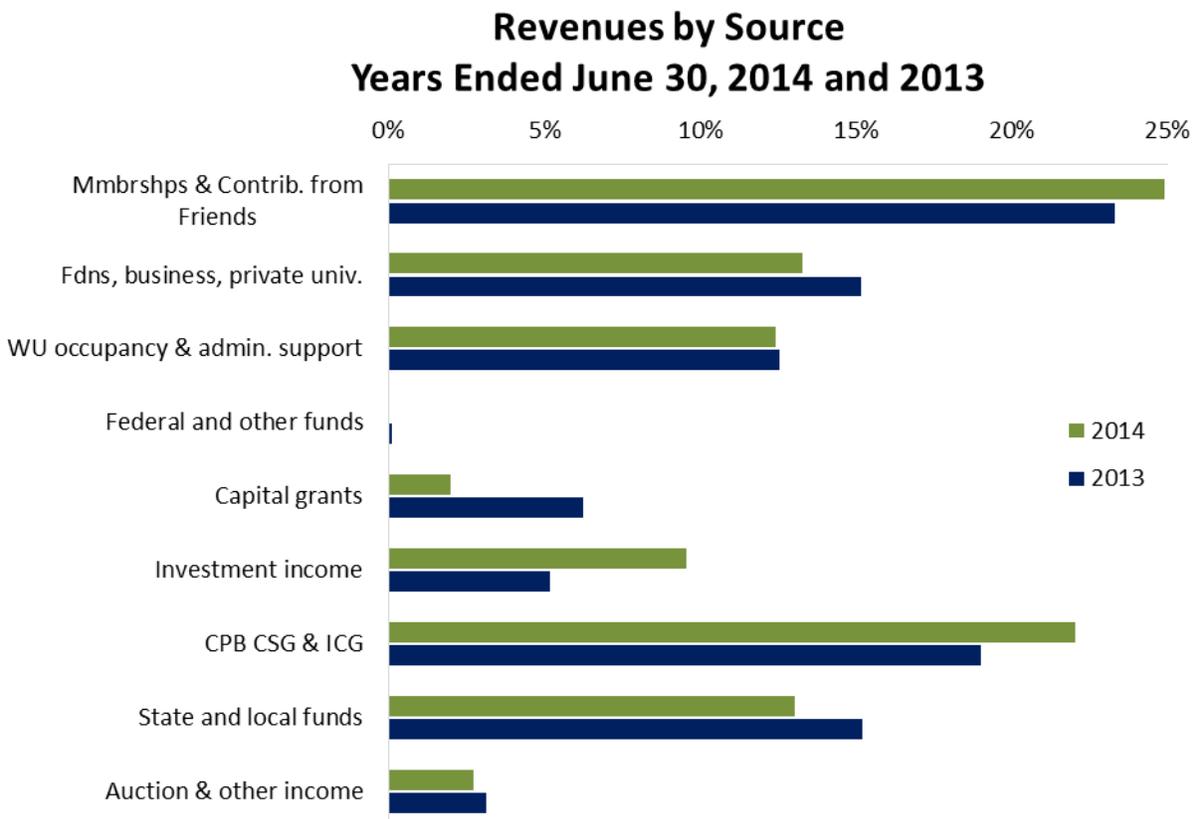
The following graphic illustration of revenues by source (both operating and nonoperating) represents revenues used to fund KTWU's operating activities for the years ended June 30, 2014 and 2013.

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)



The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 46.9 percent of KTWU's revenue for the year ended June 30, 2014 compared to 42.3 percent for the year ended June 30, 2013. State and local funds accounted for 13.0 percent of revenue for the year ended June 30, 2014 compared to 15.2 percent for the year ended June 30, 2013.

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.

Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2014 and 2013.

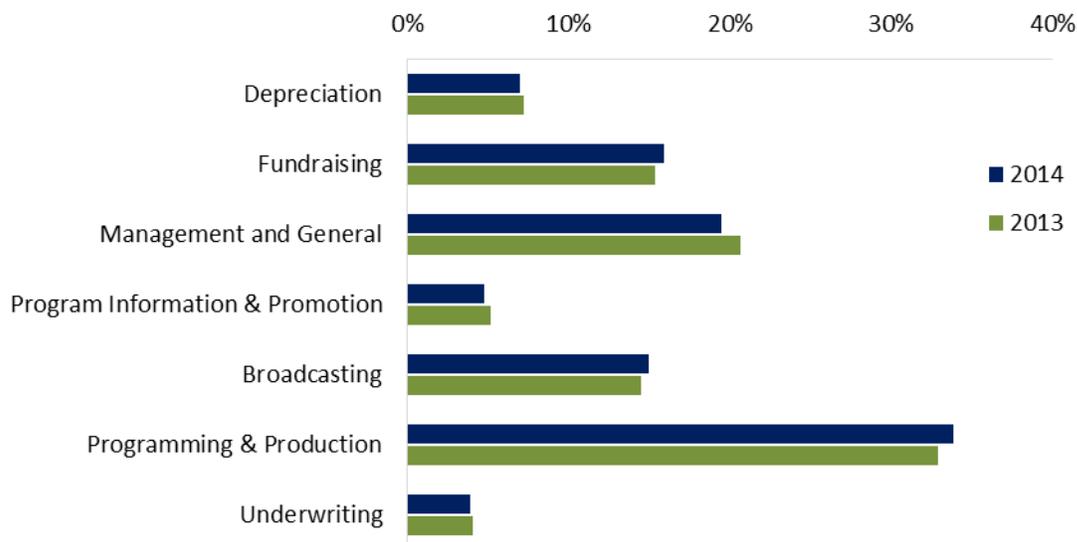
KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

KTWU Expense by Function Years Ended June 30, 2014 and 2013



Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 53.7 percent of KTWU's expenses for the year ended June 30, 2014 compared to 52.6 percent for the year ended June 30, 2013. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 46.3 percent of expenses for the year ended June 30, 2014 compared to 47.4 percent for the year ended June 30, 2013. 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

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Management's Discussion And Analysis (*Continued*)

The Statement of Cash Flows is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of KTWU. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for 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, 2015, 2014 and 2013

	2015	2014	2013
Cash provided by (used in):			
Operating activities	\$ (2,830,312)	\$ (2,819,366)	\$ (2,600,751)
Noncapital financing activities	2,479,221	2,806,804	2,623,922
Capital and related financing activities	(166,850)	(75,033)	(220,586)
Investing activities	281,112	263,878	(42,277)
Net change in cash	(236,829)	176,283	(239,692)
Cash - Beginning Of Year	400,733	224,450	464,142
Cash - End Of Year	\$ 163,904	\$ 400,733	\$ 224,450

Fiscal Year 2015 Compared To Fiscal Year 2014

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 \$236,829 for the fiscal year ended June 30, 2015 compared to an increase of \$176,283 for the fiscal year ended June 30, 2014.

Fiscal Year 2014 Compared To Fiscal Year 2013

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.

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Management's Discussion And Analysis (*Continued*)

The cash position of KTWU increased by \$176,283 for the fiscal year ended June 30, 2014 compared to a decrease of \$239,692 for the fiscal year ended June 30, 2013.

Capital Assets

KTWU had a decrease in capital assets during fiscal years 2015 and 2014. At June 30, 2015, KTWU had \$2.9 million invested in capital assets, net of accumulated depreciation, compared to \$3.1 million and 3.2 million at June 30, 2014 and 2013, respectively. Depreciation charges totaled \$241,280 for the fiscal year ended June 30, 2015 compared to \$270,267 and \$268,480 for the fiscal years ended June 30, 2014 and 2013, respectively. Details of these assets are as follows:

Condensed Statement Of Capital Assets, Net Of Depreciation As Of June 30, 2015, 2014 and 2013

	2015	2014	2013
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	2,252,588	2,231,603	2,329,532
Transmitter and antenna	331,906	375,377	418,848
Transmission and broadcast equipment	106,219	148,909	118,305
Office equipment	221,570	268,758	320,880
Projects in progress	—	—	—
	<u>\$ 2,939,459</u>	<u>\$ 3,051,823</u>	<u>\$ 3,214,741</u>

Major capital additions during the fiscal year ended June 30, 2015 include replacement of a hail-damaged roof.

Major capital additions during the fiscal year ended June 30, 2014 include 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.

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

KTWU TELEVISION

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Management's Discussion And Analysis (*Continued*)

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, Associate Vice President for Finance, Washburn University, Morgan Hall 211, 1700 SW College Ave., Topeka, Kansas 66621.

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

STATEMENTS OF NET POSITION

	June 30,	
	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 163,904	\$ 400,733
Accounts receivable	33,118	57,843
Prepaid expenses	24,369	31,256
Prepaid lease	2,100	2,100
Total Current Assets	223,491	491,932
Noncurrent Assets		
Receivable from Washburn University Foundation	799,975	865,450
Equity in the net assets of Washburn University Foundation	1,022,020	682,873
Prepaid lease and extended lease	22,225	24,325
Capital assets, net	2,939,459	3,051,823
Total Noncurrent Assets	4,783,679	4,624,471
Total Assets	\$ 5,007,170	\$ 5,116,403
Liabilities And Net Position		
Current Liabilities		
Accounts payable	\$ 30,628	\$ 29,526
DTV loan from State of Kansas	45,635	45,635
Unearned revenue	2,670	2,625
Accrued payroll	14,507	12,705
Compensated absences	96,200	100,060
Total Current Liabilities	189,640	190,551
Non-current Liabilities		
DTV loan from State of Kansas	136,904	182,539
Total Non-current Liabilities	136,904	182,539
Total Liabilities	326,544	373,090
Net Position		
Net investment in capital assets	2,756,920	2,823,649
Restricted for		
Nonexpendable		
Endowments (gift value)	799,975	865,450
Expendable		
Other	399,151	324,385
Unrestricted	724,580	729,829
Total Net Position	\$ 4,680,626	4,743,313

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2015	2014
Operating Revenues		
Auction and special fundraising events	\$ 60,812	\$ 65,613
Tower lease payments	183,493	195,753
RTL workshops	7,850	12,829
Miscellaneous operating revenues	78,062	27,149
Total Operating Revenues	330,217	301,344
Operating Expenses		
Support services		
Management and general	869,745	747,093
Fundraising and membership development	578,797	608,621
Underwriting and grant solicitation	135,013	149,487
Program services		
Programming and production	1,295,301	1,302,380
Broadcasting	583,219	577,818
Program information and promotion	187,094	183,749
Depreciation	241,280	270,267
Total Operating Expenses	3,890,449	3,839,415
Operating Loss	(3,560,232)	(3,538,071)
Nonoperating Revenues		
Community services and interconnection grants from Corporation for Public Broadcasting	864,893	856,527
State and local funds	631,127	506,736
Federal grants	1,607	—
Foundations, business and industry and private university contributions	420,021	317,740
Memberships and subscriptions	873,729	968,377
Donated facilities and administrative support from Washburn University of Topeka	482,241	484,030
Investment income	213,726	375,912
Total Nonoperating Revenues	3,487,344	3,509,322
Income (Loss) Before Other Revenues	(72,888)	(28,749)
Capital Grants		
Federal	12,635	24,947
State and local	(4,934)	53,003
Additions To Permanent Endowments	2,500	—
Change In Net Position	(62,687)	49,201
Net Position - Beginning Of Year	4,743,313	4,694,112
Net Position - End Of Year	\$ 4,680,626	\$ 4,743,313

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

STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2015	2014
Cash Flows From Operating Activities		
Other operating revenues	\$ 328,539	\$ 306,408
Payments to suppliers	(1,439,645)	(1,399,930)
Payments to employees	(1,719,206)	(1,725,844)
Net Cash Used In Operating Activities	(2,830,312)	(2,819,366)
Cash Flows Provided By Investing Activities		
Interest and dividends received	281,112	263,878
Cash Flows From Noncapital Financing Activities		
CPB funds, state and local funds	1,497,627	1,535,937
Underwriting and other revenues	107,865	265,817
Memberships and subscriptions	873,729	1,005,050
Net Cash Provided By Noncapital Financing Activities	2,479,221	2,806,804
Cash Flows From Capital And Related Financing Activities		
Capital grants and gifts received	7,701	77,950
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	(128,916)	(107,348)
Net Cash Used In Capital And Related Financing Activities	(166,850)	(75,033)
Change In Cash And Cash Equivalents	(236,829)	176,283
Cash And Cash Equivalents - Beginning Of Year	400,733	224,450
Cash And Cash Equivalents - End Of Year	\$ 163,904	\$ 400,733
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (3,560,232)	\$ (3,538,071)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	241,280	270,267
Donated facilities and administrative support from Washburn University of Topeka	482,241	484,030
Changes in assets and liabilities:		
Accounts receivable	(1,677)	5,065
Prepaid expenses and other assets	8,988	(18,942)
Accounts payable	1,147	(22,041)
Accrued payroll and compensated absences	(2,059)	326
Net Cash Used In Operating Activities	\$ (2,830,312)	\$ (2,819,366)
Noncash Investing And Financing Activities		
Change in fair value of investments	\$ (40,984)	\$ 77,414
Additions to permanent endowments	2,500	—

**KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
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NOTES TO FINANCIAL STATEMENTS

June 30, 2015 And 2014

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, 2015 and 2014.

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
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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.

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 bases.

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.

Restricted Investments Managed By Washburn University Foundation

Washburn University Foundation (the Foundation), 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 the Foundation. Fair value is determined by multiplying the fair value per share by the number of shares owned by KTWU as determined by the Foundation.

**KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

Capital Assets

Capital assets, including projects in progress, are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. KTWU capitalizes interest on the construction of capital assets when material; no interest was capitalized for the years ended June 30, 2015 and 2014.

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.

Restricted Net Position - Nonexpendable

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

**KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

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.

A prior period adjustment was made to correct errors in the financial statements for the years ended June 30, 2014 and 2013. These error were the result of mistakes in calculating underwriting revenues. Correction of these errors resulted in the following changes to previously reported amounts as of and for the year ended June 30, 2014:

	As Originally Reported	Correction of Error	Restated
Statement of Net Position			
Cash and cash equivalents	\$ 712,889	\$ (312,156)	\$ 400,733
Restricted - expendable net position	636,541	(312,156)	324,385
Statement of Revenues, Expenses and Changes in Net Position			
Nonoperating revenues			
State and local funds	521,986	(15,250)	506,736
Foundations, business and industry and private university contributions	510,801	(193,061)	317,740
Memberships and subscriptions	1,005,050	(36,673)	968,377
Net position - beginning of year	4,761,284	(67,172)	4,694,112
Net position - end of year	5,055,469	(312,156)	4,743,313

**KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

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 \$113,700 and \$119,400 for the years ended June 30, 2015 and 2014, 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 \$482,241 and \$484,030 for the years ended June 30, 2015 and 2014, respectively. Occupancy costs are based on estimated fair values per an appraisal; administrative costs are allocated based on expenditures.

Income Taxes

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

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.

2. Cash And Investments

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

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. KTWU's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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Notes to Financial Statements (*Continued*)

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.

At June 30, 2015 and 2014, KTWU's cash and cash equivalents were held in financial institutions. KTWU had no bank balances exposed to custodial credit risk at June 30, 2015 and 2014.

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 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, 2015 and 2014. 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 the Foundation in the amount of \$799,975 and \$865,450 at June 30, 2015 and 2014, 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 the Foundation's investments is recorded as a receivable from the Foundation.

KTWU TELEVISION
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Notes to Financial Statements (Continued)

4. Equity In The Net Assets Of Washburn University Foundation

Contributions for specific capital projects and other activities are being held and invested by the Foundation until KTWU requests the funds be transferred to the Station. KTWU had a claim on the net assets of the Foundation in the amount of \$1,022,020 and \$682,873 as of June 30, 2015 and 2014, respectively.

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015 follows:

	2015				Balance - June 30, 2015
	Balance - July 1, 2014	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Projects in progress	—	—	—	—	—
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,844,869	123,014	—	—	3,967,883
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,933,195	—	—	(76,498)	5,856,697
Furniture and equipment	738,187	5,903	—	(620)	743,470
Total capital assets, being depreciated	11,452,522	128,917	—	(77,118)	11,504,321
Less accumulated depreciation for					
Buildings, tower and improvements	(1,613,266)	(102,029)	—	—	(1,715,295)
Transmitters and antenna	(560,894)	(43,471)	—	—	(604,365)
Transmitters and broadcast equipment	(5,784,286)	(42,689)	—	76,497	(5,750,478)
Furniture and equipment	(469,429)	(53,091)	—	620	(521,900)
Total accumulated depreciation	(8,427,875)	(241,280)	—	77,117	(8,592,038)
Total capital assets being depreciated, net	3,024,647	(112,363)	—	(1)	2,912,283
Total capital assets	\$ 3,051,823	\$ (112,363)	\$ —	\$ (1)	\$ 2,939,459

KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
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Notes to Financial Statements (Continued)

A summary of changes in capital assets for the year ended June 30, 2014 follows:

	2014				
	Balance - July 1, 2013	Additions	Projects In Progress	Retirements/ Adjustments	Balance - June 30, 2014
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Projects in progress	—	—	—	—	—
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,844,869	—	—	—	3,844,869
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,924,247	96,848	—	(87,900)	5,933,195
Furniture and equipment	764,522	10,501	—	(36,836)	738,187
Total capital assets, being depreciated	11,469,909	107,349	—	(124,736)	11,452,522
Less accumulated depreciation for					
Buildings, tower and improvements	(1,515,337)	(97,929)	—	—	(1,613,266)
Transmitters and antenna	(517,423)	(43,471)	—	—	(560,894)
Transmitters and broadcast equipment	(5,805,942)	(66,244)	—	87,900	(5,784,286)
Furniture and equipment	(443,642)	(62,623)	—	36,836	(469,429)
Total accumulated depreciation	(8,282,344)	(270,267)	—	124,736	(8,427,875)
Total capital assets being depreciated, net	3,187,565	(162,918)	—	—	3,024,647
Total capital assets	\$ 3,214,741	\$(162,918)	\$ —	\$ —	\$3,051,823

6. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2015 and 2014:

	Balance - June 30, 2014	Additions	Reductions	Balance - June 30, 2015	Due Within One Year
DTV Loan	\$ 228,174	\$ —	\$ (45,635)	\$ 182,539	\$ 45,635

**KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

	Balance - June 30, 2013	Additions	Reductions	Balance - June 30, 2014	Due Within One Year
DTV Loan	\$ 273,809	\$ —	\$ (45,635)	\$ 228,174	\$ 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, 2015 and 2014 was 0.25% and 0.21%, respectively, and will reset on February 1, 2016. The balance of the loan was \$182,539 and \$228,174 on June 30, 2015 and 2014, respectively.

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

For The Year Ending June 30,	Principal	Interest	Total
2016	\$ 45,635	\$ 420	\$ 46,055
2017	45,635	315	45,950
2018	45,635	210	45,845
2019	45,634	104	45,738
	\$ 182,539	\$ 1,049	\$ 183,588

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 \$183,493 and \$195,753 for 2015 and 2014, respectively.

**KTWU TELEVISION
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Notes to Financial Statements (*Continued*)

Remaining future minimum receipts under these lease agreements at June 30, 2015 are as follows:

<u>For The Year Ending June 30,</u>	<u>Lease Agreement</u>
2016	\$ 134,357
2017	83,179
2018	22,244
	<hr/> <hr/> <u>\$ 239,780</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 2015 and 2014, KTWU received approximately 22.6% and 22.0% 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
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**SCHEDULE OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2015 And 2014**

	Support Services			Program Services			2015	2014
	Fundraising		Underwriting And Grant Solicitation	Programming		Program		
	Management	And Membership And Development		And	And	Information		
	General	Development	Solicitation	Production	Broadcasting	And Promotion		
Salaries and employee benefits	\$ 193,057	\$ 382,373	\$ 128,953	\$ 579,897	\$ 338,123	\$ 94,744	\$ 1,717,147	\$ 1,726,170
Donated facilities and administrative support	441,116	—	—	—	41,125	—	482,241	484,030
Professional services	7,738	16,634	—	25,097	13,252	1,270	63,991	38,593
Telephone and fax	26,049	—	—	1,918	2,233	—	30,200	27,349
Postage and freight	1,563	16,875	4,768	1,214	173	1,452	26,045	29,283
Printing and copier	463	3,645	789	452	231	1,096	6,676	6,550
Materials and supplies	10,267	69,789	—	7,986	9,433	18,941	116,416	161,971
Dues	41,162	145	—	49,244	—	24,733	115,284	114,877
Program expenses	—	—	—	568,260	—	—	568,260	608,359
Equipment and equipment rent	11,105	596	—	2,352	4,415	58	18,526	24,923
Equipment repair and maintenance	278	—	—	—	18,158	—	18,436	14,026
Computer equipment and software	99	—	—	1,718	11,667	—	13,484	39,298
Vehicle expense	2,058	142	—	2,294	—	—	4,494	5,087
Credit card expense	—	10,040	—	—	—	—	10,040	11,897
Utilities, trash hauling and insurance	10,531	—	—	7,536	114,377	—	132,444	116,839
Buildings and grounds	46,763	11	—	28,022	24,933	—	99,729	13,724
Travel	5,479	10,996	503	7,026	3,376	—	27,380	23,233
Marketing and advertising	60,370	51,414	—	9,445	90	44,662	165,981	87,473
Other expenses	11,647	16,137	—	2,840	1,633	138	32,395	35,466
Total Support And Program Services - 2015	\$ 869,745	\$ 578,797	\$ 135,013	\$ 1,295,301	\$ 583,219	\$ 187,094	\$ 3,649,169	\$ 3,569,148
Total Support And Program Services - 2014	\$ 747,093	\$ 608,621	\$ 149,487	\$ 1,302,380	\$ 577,818	\$ 183,749		