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**KTWU TELEVISION  
A PUBLIC TELECOMMUNICATIONS  
ENTITY OPERATED BY  
WASHBURN UNIVERSITY OF TOPEKA  
FINANCIAL STATEMENTS  
JUNE 30, 2018**

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## Independent Auditors' Report

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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 2018 and 2017, 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 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, 2018 and 2017, 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.

### ***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 12 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, on our consideration of KTWU Television's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering KTWU Television's internal control over financial reporting and compliance.

*RubinBrown LLP*

February 8, 2019

## **KTWU TELEVISION**

A Public Telecommunications Entity

Operated by Washburn University of Topeka

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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, 2018 and comparative data for the fiscal years ended June 30, 2017 and 2016. 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 Kansas' first non-commercial educational television station, providing over 50 years of service to varying communities. The station's viewing area serves 39 counties in northeast Kansas, reaching citizens from the Nebraska border and portions of Missouri. KTWU broadcasts three streams of television content 24 hours a day, providing a diversified service of digital programming for children, adult learners, educators and general audience viewing. KTWU serves over 160,000 households in the 139th 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 for the Fiscal Year Ended June 30, 2018**

KTWU ended the year with total assets of \$4,503,776 and liabilities of \$264,723 compared to \$4,534,657 and \$224,544, respectively, at June 30, 2017. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$4,239,053 at June 30, 2018, a decrease of \$71,060 from last year's net position of \$4,310,113.

Operating revenues were \$393,050 and operating expenses were \$3,586,104 resulting in a loss from operations of \$3,193,054. 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, 2018, nonoperating revenues were \$3,121,994, which, when combined with the loss from operations, resulted in an overall decrease of \$71,060 in net position, compared to a decrease of \$41,225 for the year ended June 30, 2017.

#### **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.

A condensed comparison of the Station's assets, liabilities and net position as of June 30, 2018, 2017 and 2016 is presented below:

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## Management's Discussion and Analysis (*Continued*)

### **Condensed Statements of Net Position** **As of June 30, 2018, 2017 and 2016**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
Current assets	\$ 539,964	\$ 423,958	\$ 393,684
Other assets	1,616,298	1,567,951	1,527,883
Capital assets, net	2,347,514	2,542,748	2,727,402
	4,503,776	4,534,657	4,648,969
<b>Liabilities</b>			
Current liabilities	264,723	178,909	206,362
Noncurrent liabilities	—	45,635	91,269
	264,723	224,544	297,631
<b>Total Net Position</b>	4,239,053	4,310,113	4,351,338
<b>Net Position Consists Of</b>			
Net investment in capital assets	2,301,879	2,451,479	2,590,498
Restricted - nonexpendable	728,831	748,141	708,178
Restricted - expendable	504,816	842,610	781,388
Unrestricted	703,527	267,883	271,274
<b>Total Net Position</b>	\$ 4,239,053	\$ 4,310,113	\$ 4,351,338

#### ***Assets***

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

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$539,964, \$423,958, and \$393,684, respectively, at June 30, 2018, 2017 and 2016. Total current assets at June 30, 2018, 2017 and 2016 covered current liabilities 2.0, 2.4, 1.9 times, respectively, an indicator of good liquidity. Capital assets, which represented 52.1%, 56.1%, and 58.7% of total assets at June 30, 2018, 2017 and 2016, respectively, represent the assets' historical cost net of accumulated depreciation.

#### ***Liabilities***

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

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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.

#### **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 Statements 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 nonoperating, 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 considered 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. Nonoperating 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 nonoperating 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, 2018, 2017 and 2016.

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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, 2018, 2017 and 2016**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Operating revenues	\$ 393,050	\$ 348,591	\$ 344,705
<u>Operating expenses</u>	<u>3,586,104</u>	<u>3,630,196</u>	<u>3,886,461</u>
	(3,193,054)	(3,281,605)	(3,541,756)
<u>Nonoperating revenues and expenses</u>	<u>3,121,994</u>	<u>3,236,587</u>	<u>3,210,608</u>
Income (loss) before other revenues	(71,060)	(45,018)	(331,148)
<u>Other revenues</u>	<u>—</u>	<u>3,793</u>	<u>1,860</u>
Change in net position	(71,060)	(41,225)	(329,288)
<u>Net position at beginning of year</u>	<u>4,310,113</u>	<u>4,351,338</u>	<u>4,680,626</u>
<u>Net position at end of year</u>	<u>\$ 4,239,053</u>	<u>\$ 4,310,113</u>	<u>\$ 4,351,338</u>

#### **Fiscal Year 2018 Compared to Fiscal Year 2017**

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$71,060 during the year ended June 30, 2018, compared to a decrease in net position of \$41,225 during fiscal year 2017. Some highlights of the information in this statement follows.

#### **Revenues**

Revenues totaled \$3,515,044 and \$3,588,971 for the years ending June 30, 2018 and 2017, respectively. The \$73,927 decrease is attributable primarily to declines in state and local appropriations and contributions.

The community service grant and the interconnection grant received from CPB, memberships, and contributions comprised 53.3% of KTWU's revenue for the year ended June 30, 2018, compared to 56.9% for the year ended June 30, 2017. State and local funds accounted for 12.6% of revenue for the year ended June 30, 2018, compared to 13.9% for the year ended June 30, 2017.

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**

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### Management's Discussion and Analysis (*Continued*)

#### **Expenses**

Operating expenses totaled \$3,586,104 and \$3,630,196 for the years ending June 30, 2018 and 2017, respectively. The \$44,092 decrease is attributable primarily to declines in support services and programming and production.

Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 52.8% of KTWU's expenses for the year ended June 30, 2018, compared to 52.0% for the year ended June 30, 2017. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 47.2% of expenses for the year ended June 30, 2018 compared to 48.0% for the year ended June 30, 2017. KTWU's effort to control expenses is reflected in the overall reduction of total expenses for the year.

#### **Fiscal Year 2017 Compared to Fiscal Year 2016**

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$41,225 during the year ended June 30, 2017, compared to a decrease in net position of \$329,288 during fiscal year 2016. Some highlights of the information in this statement follows.

#### **Revenues**

Revenues totaled \$3,588,971 and \$3,557,173 for the years ending June 30, 2017 and 2016, respectively. The \$31,798 increase is attributable primarily to improved investment earnings.

The community service grant and the interconnection grant received from CPB, memberships, and contributions comprised 56.9% of KTWU's revenue for the year ended June 30, 2017, compared to 61.6% for the year ended June 30, 2016. State and local funds accounted for 13.9% of revenue for the year ended June 30, 2017, compared to 13.1% for the year ended June 30, 2016.

#### **Expenses**

Operating expenses totaled \$3,630,196 and \$3,886,461 for the years ending June 30, 2017 and 2016, respectively. The \$256,265 decrease is attributable primarily to declines in programming and production and broadcasting.

Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 52.0% of KTWU's expenses for the year ended June 30, 2017, compared to 54.1% for the year ended June 30, 2016. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 48.0% of expenses for the year ended June 30, 2017, compared to 45.9% for the year ended June 30, 2016.

#### **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.

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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 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, 2018, 2017 and 2016**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash provided by (used in):			
Operating activities	\$ (2,678,088)	\$ (2,423,575)	\$ (2,988,608)
Noncapital financing activities	2,335,688	2,548,497	2,657,928
Capital and related financing activities	(50,768)	(61,527)	(49,832)
Investing activities	251,706	146,453	346,135
Net change in cash	(141,462)	209,848	(34,377)
Cash - Beginning of Year	339,375	129,527	163,904
Cash - End of Year	\$ 197,913	\$ 339,375	\$ 129,527

#### **Fiscal Year 2018 Compared to Fiscal Year 2017**

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 \$141,462 for the fiscal year ended June 30, 2018, compared to an increase of \$209,848 for the fiscal year ended June 30, 2017. The decrease was attributable to the timing of receipt of private funds from the Washburn University Foundation.

#### **Fiscal Year 2017 Compared to Fiscal Year 2016**

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**

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### Management's Discussion and Analysis (*Continued*)

The cash position of KTWU increased by \$209,848 for the fiscal year ended June 30, 2017, compared to a decrease of \$34,377 for the fiscal year ended June 30, 2016.

#### **Capital Assets**

KTWU had a decrease in capital assets during fiscal years 2018 and 2017 of \$195,234. At June 30, 2018, KTWU had \$2.35 million invested in capital assets, net of accumulated depreciation, compared to \$2.54 million and \$2.73 million at June 30, 2017 and 2016, respectively. Depreciation charges totaled \$200,367 for the fiscal year ended June 30, 2018, compared to \$204,339 and \$218,114 for the fiscal years ended June 30, 2017 and 2016, respectively. Details of these assets are as follows:

**Condensed Statement of Capital Assets, Net of Depreciation**  
**As of June 30, 2018, 2017 and 2016**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	1,944,040	2,046,889	2,149,738
Transmitter and antenna	201,491	244,962	288,434
Transmission and broadcast equipment	50,767	70,387	79,426
Office equipment	124,040	153,334	182,628
	<hr/> \$ 2,347,514	<hr/> \$ 2,542,748	<hr/> \$ 2,727,402

There were no major capital additions during the fiscal years ended June 30, 2018, 2017 and 2016.

## **KTWU TELEVISION**

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Management's Discussion and Analysis (*Continued*)

### **Economic Outlook**

The current economy, new technology, and changes in consumer preferences for assessing and consuming educational, informational and entertainment content continually affect KTWU. Accordingly, management makes strategic changes each year to ensure the financial health of the Station. KTWU enjoys great community support, a strong base of volunteers and a well-trained staff of professionals. The Station's viewing audience, which has been steady over recent years, is now seeing increases in younger, cable cord-cutters watching on a regular basis. KTWU continues to be entrepreneurial in its efforts to increase revenue through membership drives, corporate underwriting and its annual auction. In the last two years, KTWU has increased its receipt of competitive grants and has begun to distribute more national programming to other PBS stations as a way to create new revenue. Additionally, KTWU institutes strategic cost-cutting methods with each budget cycle.

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.

### **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 Kuwitzky, Controller, Washburn University, Morgan Hall 211, 1700 SW College Ave., Topeka, Kansas 66621.

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**STATEMENTS OF NET POSITION**

	<b>Assets</b>	
	June 30,	
	2018	2017
<b>Current Assets</b>		
Cash and cash equivalents	\$ 197,913	\$ 339,375
Accounts receivable	319,572	65,859
Prepaid expenses	20,379	16,624
Prepaid lease	2,100	2,100
<b>Total Current Assets</b>	<b>539,964</b>	<b>423,958</b>
<b>Noncurrent Assets</b>		
Receivable from Washburn University Foundation	728,831	748,141
Interest in the net assets of Washburn University Foundation	871,542	801,785
Prepaid lease and extended lease	15,925	18,025
Capital assets, net	2,347,514	2,542,748
<b>Total Noncurrent Assets</b>	<b>3,963,812</b>	<b>4,110,699</b>
<b>Total Assets</b>	<b>\$ 4,503,776</b>	<b>\$ 4,534,657</b>
<b>Liabilities And Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 39,341	\$ 16,934
DTV loan from State of Kansas	45,635	45,635
Unearned revenue	65,927	6,311
Accrued payroll	23,238	23,666
Compensated absences	90,582	86,363
<b>Total Current Liabilities</b>	<b>264,723</b>	<b>178,909</b>
<b>Non-current Liabilities</b>		
DTV loan from State of Kansas	—	45,635
<b>Total Non-current Liabilities</b>	<b>—</b>	<b>45,635</b>
<b>Total Liabilities</b>	<b>264,723</b>	<b>224,544</b>
<b>Net Position</b>		
Net investment in capital assets	2,301,879	2,451,479
Restricted for		
Nonexpendable		
Endowments (gift value)	728,831	748,141
Expendable		
Other	504,816	842,610
Unrestricted	703,527	267,883
<b>Total Net Position</b>	<b>\$ 4,239,053</b>	<b>4,310,113</b>

**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,	
	2018	2017
<b>Operating Revenues</b>		
Auction and special fundraising events	\$ 70,299	\$ 54,549
Tower lease payments	204,109	207,786
RTL workshops	—	1,918
Production assistance	109,945	65,742
Miscellaneous operating revenues	8,697	18,596
<b>Total Operating Revenues</b>	<b>393,050</b>	<b>348,591</b>
<b>Operating Expenses</b>		
Support services		
Management and general	853,700	871,176
Fundraising and membership development	574,453	599,173
Underwriting and grant solicitation	63,460	68,009
Program services		
Programming and production	1,137,360	1,177,890
Broadcasting	564,340	541,013
Program information and promotion	192,424	168,596
Depreciation	200,367	204,339
<b>Total Operating Expenses</b>	<b>3,586,104</b>	<b>3,630,196</b>
<b>Operating Loss</b>	<b>(3,193,054)</b>	<b>(3,281,605)</b>
<b>Nonoperating Revenues</b>		
Community services and interconnection grants from		
Corporation for Public Broadcasting	820,919	799,316
State and local funds	442,225	497,348
Federal grants	—	3,777
Other grants	13,500	7,000
Foundations, business and industry and		
private university contributions	276,306	408,714
Memberships and subscriptions	777,985	832,342
Donated facilities and administrative support		
from Washburn University of Topeka	488,906	490,166
Investment income	302,153	197,924
<b>Total Nonoperating Revenues</b>	<b>3,121,994</b>	<b>3,236,587</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(71,060)</b>	<b>(45,018)</b>
<b>Capital Grants</b>		
Federal	—	3,793
<b>Change in Net Position</b>	<b>(71,060)</b>	<b>(41,225)</b>
<b>Net Position - Beginning of Year</b>	<b>4,310,113</b>	<b>4,351,338</b>
<b>Net Position - End of Year</b>	<b>\$ 4,239,053</b>	<b>\$ 4,310,113</b>

**KTWU TELEVISION**  
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**STATEMENTS OF CASH FLOWS**

	For The Years Ended June 30,	
	2018	2017
<b>Cash Flows from Operating Activities</b>		
Other operating revenues	\$ 194,199	\$ 510,889
Payments to suppliers	(1,297,935)	(1,246,106)
Payments to employees	(1,574,352)	(1,688,358)
<b>Net Cash Used in Operating Activities</b>	<b>(2,678,088)</b>	<b>(2,423,575)</b>
<b>Cash Flows Provided by Investing Activities</b>		
Interest and dividends received	251,706	146,453
<b>Cash Flows from Noncapital Financing Activities</b>		
CPB funds, state and local funds	1,263,144	1,307,441
Underwriting and other revenues	289,806	408,714
Memberships and subscriptions	782,738	832,342
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>2,335,688</b>	<b>2,548,497</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grants and gifts received	—	3,793
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	(5,133)	(19,685)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(50,768)</b>	<b>(61,527)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(141,462)</b>	209,848
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>339,375</b>	129,527
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 197,913</b>	<b>\$ 339,375</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (3,193,054)	\$ (3,281,605)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	200,368	204,339
Donated facilities and administrative support from Washburn University of Topeka	488,906	490,166
Changes in assets and liabilities:		
Accounts receivable	(258,467)	162,296
Prepaid expenses and other assets	(1,655)	28,681
Accounts payable	22,407	(18,354)
Accrued payroll and compensated absences	3,791	(9,098)
Unearned revenue	59,616	—
<b>Net Cash Used in Operating Activities</b>	<b>\$ (2,678,088)</b>	<b>\$ (2,423,575)</b>
<b>Noncash Investing and Financing Activities</b>		
Change in fair value of investments	\$ 50,447	\$ 42,168

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**

**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, 2018 and 2017.

**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 such as production assistance and program distribution. 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.

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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.

**Fair Value Reporting**

KTWU categorizes its fair value measurements applicable for reporting its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. At June 30, 2018 and 2017, KTWU held no investments that required such presentation.

**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. 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. These amounts are presented as Receivable from Washburn University Foundation and Interest in the net assets of Washburn University Foundation on the Statement of Net Position.

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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'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.

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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.

**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 paid by the University for KTWU employees amounted to approximately \$108,622 and \$116,478 for the years ended June 30, 2018 and 2017, 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 \$488,906 and \$490,166 for the years ended June 30, 2018 and 2017, respectively. Occupancy and administrative costs are based on estimated fair values.

**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.

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Notes to Financial Statements (*Continued*)

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Reclassifications**

Certain reclassifications have been made to the 2017 balances to conform to the 2018 presentation. Such reclassifications were made for comparative purposes only. There were no changes to the total net position or to the change in net position at June 30, 2017.

## **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.

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, 2018 and 2017, KTWU's cash and cash equivalents were held in financial institutions. KTWU had no bank balances exposed to custodial credit risk at June 30, 2018 and 2017.

### **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.

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Notes to Financial Statements (*Continued*)

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KTWU had no investments exposed to custodial credit risk at June 30, 2018 and 2017. 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 \$728,831 and \$748,141 at June 30, 2018 and 2017, 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.

**4. Interest 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 \$871,542 and \$801,785 as of June 30, 2018 and 2017, respectively.

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Notes to Financial Statements (*Continued*)

## 5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	2018				
	Balance -	Projects in	Retirements/	Balance -	
	July 1,	Additions	Progress	Adjustments	June 30,
	2017				2018
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,967,883	—	—	—	3,967,883
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,651,588	5,133	—	—	5,656,721
Furniture and equipment	740,304	—	—	—	740,304
Total capital assets, being depreciated	11,296,046	5,133	—	—	11,301,179
Less accumulated depreciation for					
Buildings, tower and improvements	(1,920,994)	(102,849)	—	—	(2,023,843)
Transmitters and antenna	(691,309)	(43,471)	—	—	(734,780)
Transmitters and broadcast equipment	(5,581,201)	(24,753)	—	—	(5,605,954)
Furniture and equipment	(586,970)	(29,294)	—	—	(616,264)
Total accumulated depreciation	(8,780,474)	(200,367)	—	—	(8,980,841)
Total capital assets being depreciated, net	2,515,572	(195,234)	—	—	2,320,338
Total capital assets	\$ 2,542,748	\$ (195,234)	\$ —	\$ —	\$ 2,347,514

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Notes to Financial Statements (*Continued*)

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	2017			
	Balance - July 1, 2016	Projects in Progress	Retirements/ Adjustments	Balance - June 30, 2017
Capital assets, not being depreciated				
Land	\$ 27,176	\$ —	\$ —	\$ 27,176
Total capital assets, not being depreciated	27,176	—	—	27,176
Capital assets, being depreciated				
Buildings, tower and improvements	3,967,883	—	—	3,967,883
Transmitters and antenna	936,271	—	—	936,271
Transmitters and broadcast equipment	5,631,903	19,685	—	5,651,588
Furniture and equipment	740,304	—	—	740,304
Total capital assets, being depreciated	11,276,361	19,685	—	11,296,046
Less accumulated depreciation for				
Buildings, tower and improvements	(1,818,145)	(102,849)	—	(1,920,994)
Transmitters and antenna	(647,837)	(43,472)	—	(691,309)
Transmitters and broadcast equipment	(5,552,477)	(28,724)	—	(5,581,201)
Furniture and equipment	(557,676)	(29,294)	—	(586,970)
Total accumulated depreciation	(8,576,135)	(204,339)	—	(8,780,474)
Total capital assets being depreciated, net	2,700,226	(184,654)	—	2,515,572
Total capital assets	\$ 2,727,402	\$(184,654)	\$ —	\$ 2,542,748

## 6. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2018 and 2017:

	Balance - June 30, 2017	Additions	Reductions	Balance - June 30, 2018	Due Within One Year
DTV Loan	\$ 91,270	\$ —	\$ (45,635)	\$ 45,635	\$ 45,635

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Notes to Financial Statements (*Continued*)

	Balance - June 30, 2016	Additions	Reductions	Balance - June 30, 2017	Due Within One Year
DTV Loan	\$ 136,904	\$ —	\$ (45,634)	\$ 91,270	\$ 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, 2018 and 2017 was 1.92% and .90%, respectively. The balance of the loan was \$45,635 and \$91,270 on June 30, 2018 and 2017, respectively. The final payment of \$46,277, which includes \$642 interest, was made subsequent to year end.

## 7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through May 2027. Total rents received under these agreements amounted to \$204,109 and \$207,786 for 2018 and 2017, respectively.

Remaining future minimum receipts under these lease agreements at June 30, 2018 are as follows:

	Lease For The Year Ending June 30,      Agreement
2019	\$ 160,346
2020	140,114
2021	129,243
2022	100,296
2023	74,680
2024-2027	<u>157,325</u>
	 <hr/>
	\$ 762,003
	<hr/>

## 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:

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Notes to Financial Statements (*Continued*)

**Major Funding**

During 2018 and 2017, KTWU received approximately 23.4% and 22.3%, 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.

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**Supplementary Information**

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**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2018 and 2017**

	Support Services			Program Services					2018	2017		
	Fundraising			Program								
	Management		and Underwriting	Programming			Information					
	and Membership	and Grant		and Production	and	Broadcasting	and Promotion					
	General Development	Solicitation		Production								
Salaries and employee benefits	\$ 240,325	\$ 386,972	\$ 61,256	\$ 499,724	\$ 314,892	\$ 74,974	\$ 1,578,143	\$ 1,679,260				
Donated facilities and administrative support	458,029	—	—	—	30,877	—	488,906	490,166				
Professional services	3,000	10,817	—	17,513	21,848	3,758	56,936	39,703				
Telephone and fax	47,277	—	—	—	1,704	85	49,066	38,399				
Postage and freight	1,375	15,130	1,800	2,768	84	2,150	23,307	19,958				
Printing and copier	391	1,790	222	2,678	—	628	5,709	5,032				
Materials and supplies	14,629	53,182	—	11,522	32,060	20,203	131,596	134,499				
Dues	23,900	100	—	47,621	—	23,734	95,355	75,785				
Program expenses	—	—	—	567,718	—	—	567,718	542,354				
Equipment and equipment rent	8,835	318	—	1,209	4,875	394	15,631	26,682				
Equipment repair and maintenance	293	—	—	—	29,576	211	30,080	22,363				
Computer equipment and software	905	1,581	—	5,021	17,501	—	25,008	23,963				
Vehicle expense	1,340	—	—	1,085	—	—	2,425	3,763				
Credit card expense	—	13,965	—	—	—	—	13,965	15,084				
Utilities, trash hauling and insurance	28,338	791	—	605	94,168	—	123,902	126,792				
Buildings and grounds	3,206	—	—	—	11,406	—	14,612	13,496				
Travel	1,462	7,990	182	8,405	—	124	18,163	26,457				
Marketing and advertising	1,123	73,265	—	9,152	—	54,957	138,497	118,530				
Other expenses	19,272	8,552	—	(37,661)	5,349	11,206	6,718	23,571				
<b>Total Support And Program Services - 2018</b>	<b>\$ 853,700</b>	<b>\$ 574,453</b>	<b>\$ 63,460</b>	<b>\$ 1,137,360</b>	<b>\$ 564,340</b>	<b>\$ 192,424</b>	<b>\$ 3,385,737</b>	<b>\$ 3,425,857</b>				
<b>Total Support And Program Services - 2017</b>	<b>\$ 871,176</b>	<b>\$ 599,173</b>	<b>\$ 68,009</b>	<b>\$ 1,177,890</b>	<b>\$ 541,013</b>	<b>\$ 168,596</b>						



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

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka (KTWU) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise KTWU's basic financial statements, and have issued our report thereon dated February 8, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered KTWU's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KTWU's internal control. Accordingly, we do not express an opinion on the effectiveness of KTWU's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether KTWU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose Of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KTWU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RubinBrown LLP*

February 8, 2019