
WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2020

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1200 Main Street
Suite 1000
Kansas City, MO 64105

T: 816.472.1122
E: info@rubinbrown.com
www.RubinBrown.com

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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 Washburn University of Topeka (the University) and its discretely presented component units as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University'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 did not audit the financial statements of Washburn University Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$190,969,460 and \$210,180,839 as of June 30, 2020 and 2019, respectively, and total revenues of \$10,669,325 and \$19,905,908, respectively, for the years then ended or the Washburn Law School Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$6,965,268 and \$7,243,290 as of June 30, 2020 and 2019, respectively, and total revenues of \$212,377 and \$599,362, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Washburn University Foundation and the Washburn Law School Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Washburn University Foundation and Washburn Law School Foundation, which comprise the financial statements of the discretely presented component units, were not audited in accordance with *Government Auditing Standards* and the applicable provisions of the Kansas Municipal Audit Guide.

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 and the reports of the other accountants are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2020 and 2019, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 4 through 18 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 University's financial statements. The accompanying schedules required for revenue bonds and revenue refunding bonds as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules required for revenue bonds and revenue refunding bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

November 23, 2020

WASHBURN UNIVERSITY OF TOPEKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Washburn University (the University) during the fiscal year ended June 30, 2020 with comparative data for the fiscal years ended June 30, 2019 and 2018. 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 University's system of internal control, which includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes the University's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Reporting Entity

The financial statements of the University include the operations of the University and the following component units:

- Washburn Institute of Technology (Washburn Tech);
- Washburn University Foundation (the Foundation); and,
- Washburn Law School Foundation (the Law Foundation).

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, Washburn Tech is included in the University's financial statements as a blended component unit because the University's Board of Regents is also the governing body of Washburn Tech and the University's management has operational responsibility for Washburn Tech.

Throughout this MD&A, references to "the University" refer to the blended reporting entity unless the reference specifically or contextually relates only to Washburn University.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

The Foundation and the Law Foundation are reported as discretely-presented component units of the University in compliance with GASB Statements No. 14, No. 39, No. 61, and No. 80. Neither of these component units is addressed in this MD&A.

Using the Financial Statements

The University'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*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to the MD&A, these pronouncements require 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.

One of the most important questions asked about the University's finances is whether the University as a whole is better or worse off as a result of the year's activities. 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 University as a whole and present a long-term view of the University's finances. These statements present financial information in a form similar to that used by private corporations.

Over time, increases or decreases in net position (the residual of assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are one indicator of the improvement or erosion of the University's financial health, when considered with non-financial data such as enrollment levels and the condition of the University's facilities. In addition to the required information noted above, this report contains required supplementary information and other supplementary schedules.

Financial Highlights for The Fiscal Year Ended June 30, 2020

The discussion below addresses the University's financial highlights.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Change in Accounting Principle

In an effort to adopt best practice the University discontinued reporting "Interest in the Net Assets of the Washburn University Foundation" during fiscal year 2019. Doing so resulted in a \$33,613,000 adjustment to beginning Net Position, but it allowed for the University's financial statement presentation to be more consistent with its peers and more closely align its reporting practices with those of the *Governmental Accounting Standards Board*. Legal title to the underlying assets remains with the Washburn University Foundation and they will continue to be reported on its financial statements.

Washburn University

The University's financial position remained strong at June 30, 2020, with total assets of \$214.4 million, deferred outflows of resources of \$256,000, and total liabilities of \$62.9 million. These amounts resulted in an increase in net position of \$3.8 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Fiscal year 2020 operating revenues were \$43.1 million and operating expenses were \$97.3 million, resulting in a loss from operations of \$54.2 million. GASB Statement No. 35 requires state and local appropriations, gifts and investment income to be classified as nonoperating revenues. As a result, the University reports a net operating loss.

To gain a complete picture of operations requires consideration of net nonoperating revenues. For the year ended June 30, 2020, net nonoperating revenues of \$57.6 million consist primarily of state and local appropriations, grants, and gifts. When combined with capital grants (\$224,000) and additions to permanent endowments (\$223,000), the University recognized an increase in net position of \$3.8 million compared to an increase of \$2.6 million for the year ended June 30, 2019.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2020, with total assets of \$13.8 million exceeding total liabilities of \$1.0 million. These amounts resulted in an increase in net position of \$292,000.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Fiscal year 2020 operating revenues were \$3.5 million and operating expenses were \$14.7 million, resulting in a loss from operations of \$11.2 million. Net nonoperating revenues of \$11.5 million consist primarily of state appropriations and grants, which resulted in an increase in net position of \$292,000. The increase was less than the increase of \$1.4 million for the year ended June 30, 2019.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Combined Statements of Net Position

The Statement of Net Position is the University's balance sheet, presenting the financial position of the University at the end of the fiscal year. It includes all assets, liabilities, deferred outflows and inflows, and net position of the University. Net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, liabilities and deferred outflows and inflows 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 University's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2020, 2019 and 2018 is presented below.

Combined Statements of Net Position June 30, 2020, 2019, and 2018

	2020	2019	2018
Assets:			
Current assets	\$ 57,738,991	\$ 61,295,567	\$ 47,571,283
Capital assets, net	131,988,895	123,784,569	129,019,307
Noncurrent assets	38,506,584	39,538,890	72,592,825
Total Assets	228,234,470	224,619,026	249,183,415
Deferred Outflows of Resources	256,356	309,322	372,273
Liabilities:			
Current liabilities	15,787,837	13,896,205	14,936,411
Noncurrent liabilities	48,133,574	50,603,451	44,617,020
Total Liabilities	63,921,411	64,499,656	59,553,431
Net Position:			
Net investment in capital assets	82,817,082	80,969,651	83,952,330
Restricted - nonexpendable	25,604,947	29,133,665	30,148,547
Restricted - expendable	13,811,422	12,397,939	43,078,335
Unrestricted	42,335,964	37,927,437	32,823,045
Total Net Position	\$ 164,569,415	\$ 160,428,692	\$ 190,002,257

Assets

Assets consist primarily of cash and cash equivalents, short-term investments, accounts and taxes receivable, amounts due from the Washburn University Foundation, and capital assets.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Current assets totaled \$57.7 million at June 30, 2020, and consisted primarily of cash, short-term investments, and receivables. This represents a decrease of \$3.6 million due primarily to changes in short-term investments and amounts due from the Washburn University Foundation. The decrease in short-term investments resulted from the receipt of Series 2018 Revenue Bond proceeds in October 2018, the balance of which was expended during fiscal year 2020 to fund costs associated with the Indoor Athletic Facility project. Total current assets at June 30, 2020 cover current liabilities 3.6 times, an indicator of good liquidity.

Capital assets, which represent the assets' historical cost net of accumulated depreciation, totaled \$132.0 million at June 30, 2020. This represents an increase of \$8.2 million, which is attributable to capitalized items exceeding depreciation and disposals.

Noncurrent assets totaled \$38.5 million and \$39.5 million at June 30, 2020 and 2019, respectively, and consisted primarily of restricted cash and amounts due from the Washburn University Foundation.

Deferred Outflows of Resources

GASB Statement No. 65 requires that the excess of the reacquisition price of new debt over the net carrying value of refunded debt be reported as a deferred outflow of resources. During the year ended June 30, 2014, the University issued \$9.655 million of bonds to refund the Series 2004 bonds. In connection with that transaction, the remaining deferred outflows relating to the Series 2004 bonds (\$589,000) were written off, while \$534,000 of deferred outflows was recorded relating to the Series 2014 bonds. The remaining balance of \$256,000 represents the unamortized balance. There were no additions to deferred outflows of resources during the years ended June 30, 2020, 2019, and 2018.

Liabilities

Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, capital lease obligations, compensated absences, and unearned revenue.

Current liabilities totaled \$15.8 million at June 30, 2020, and consisted primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of long-term debt.

Noncurrent liabilities totaled \$48.1 million at June 30, 2020, and consisted primarily of long-term debt obligations and unearned revenue. This reflects a decrease of \$2.5 million due to the scheduled amortization of bond and capital leases obligations.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Net Position

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

The next category is restricted net 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.

Although unrestricted net position is not subject to externally imposed stipulations, a portion of the University's unrestricted net position has been designated or reserved for specific purposes such as repairs and replacement of equipment, capital projects, and Regents' contingency.

Fiscal Year 2019 Compared to Fiscal Year 2018

Current assets totaled \$61.3 million and \$47.6 million at June 30, 2019 and 2018, respectively, and consisted primarily of cash and receivables. Total current assets at June 30, 2019 and 2018 covered current liabilities 4.4 and 3.2 times, respectively, an indicator of good liquidity.

Capital assets, which represent the assets' historical cost net of accumulated depreciation, totaled \$123.8 million and \$129.0 million at June 30, 2019 and 2018, respectively. This represents a decrease of \$5.2 million, which is attributable to depreciation and disposals exceeding capitalized expenditures.

Noncurrent assets totaled \$39.5 million and \$72.6 million at June 30, 2019 and 2018, respectively, and consisted primarily of restricted cash and receivables from the Washburn University Foundation. The \$33.1 million decrease in noncurrent assets is due to a change in accounting principle in fiscal year 2019 related to the accounting of net assets of the Washburn University Foundation.

Current liabilities totaled \$13.9 million and \$14.9 million at June 30, 2019 and 2018, respectively, and consisted primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of long-term debt.

Management's Discussion and Analysis

Noncurrent liabilities totaled \$50.6 million and \$44.6 million at June 30, 2019 and 2018, respectively, and consisted primarily of long-term debt obligations and unearned revenue. This represents an increase of \$6.0 million due primarily to the issuance of the \$10.2 million Series 2018 Revenue Bonds netted against the scheduled amortization of bond and capital leases obligations.

Statements of Revenues, Expenses and Changes in Net Position

Changes in total net position presented on the Statements 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 the University, both operating and nonoperating, and any other revenues, expenses, gains and losses earned or incurred by the University. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the students and various constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and sales tax collections are nonoperating because they represent revenue provided to the University for which no goods or services are provided directly by the University to the state or Shawnee County.

One of the University's strengths is its diverse streams of revenue, which allow it greater flexibility to weather difficult economic times.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

A condensed comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 is presented below.

Combined Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2020, 2019, and 2018

	2020	2019	2018
Operating revenues	\$ 46,475,105	\$ 49,771,798	\$ 47,362,035
Operating expenses	111,910,923	115,130,938	110,868,676
Operating loss	(65,435,818)	(65,359,140)	(63,506,641)
Nonoperating revenues	71,898,542	71,234,534	71,595,573
Interest on capital asset-related debt	(1,754,706)	(1,747,998)	(1,590,060)
Other nonoperating expenses	(1,014,787)	(773,244)	(3,329,275)
Income before other revenues	3,693,231	3,354,152	3,169,597
Other revenues	447,492	684,867	7,691,287
Increase (decrease) in net position	4,140,723	4,039,019	10,860,884
Change in accounting principle	—	(33,612,584)	—
Net Position - Beginning of Year	160,428,692	190,002,257	179,141,373
Net Position - End of Year	\$ 164,569,415	\$ 160,428,692	\$ 190,002,257

Fiscal Year 2020 Compared to Fiscal Year 2019

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$4.1 million during the year ended June 30, 2020, compared to an increase of \$4.0 million during the year ended June 30, 2019. Highlights of the information provided in these statements is included below.

Revenues

Revenues, excluding capital grants and additions to permanent endowments, totaled \$118.4 million and \$121.0 million for the years ending June 30, 2020 and 2019, respectively. The \$2.6 million decrease is attributable primarily to a decrease in student tuition and fees and a loss on investments.

State and local appropriations comprised 40.5 percent of the University's revenue for the year ended June 30, 2020, compared to 38.1 percent for the year ended June 30, 2019. The next largest revenue source was net tuition and fees, comprising 31.7 percent of revenue for the year ended June 30, 2020, compared to 33.0 percent for the year ended June 30, 2019.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Expenses

Expenses totaled \$114.7 million and \$117.6 million for the years ended June 30, 2020 and 2019.

Instruction expenses accounted for 35.8 percent of total expenses by function for the year ended June 30, 2020, compared to 35.1 percent for the year ended June 30, 2019. The percentages for the remaining expenses by functional area range from 12.5 percent for Academic Support to 0.1 percent for Research for the year ended June 30, 2020, compared to 12.9 percent and 0.1 percent for the year ended June 30, 2019.

Salaries and benefits comprised 64.2 percent of total expenses by natural classification for the year ended June 30, 2020, compared to 62.0 percent for the year ended June 30, 2019. Other expenses represent 24.5 percent of total expenses for the year ended June 30, 2020, compared to 26.9 percent for the year ended June 30, 2019. Financial aid and depreciation accounted for the remaining 11.3 percent of expenses for the year ended June 30, 2020, compared to 11.1 percent for the year ended June 30, 2019.

Fiscal Year 2019 Compared to Fiscal Year 2018

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$4.0 million during the year ended June 30, 2019, compared to an increase of \$10.9 million during the year ended June 30, 2018. Highlights of the information provided in these statements is included below.

Revenues

Revenues, excluding capital grants and additions to permanent endowments, totaled \$121.0 million and \$119.0 million for the years ending June 30, 2019 and 2018, respectively. The \$2.0 million increase is attributable primarily to growth in student tuition and fees and state appropriations.

State and local appropriations comprised 38.1 percent of the University's revenue for the year ended June 30, 2019, compared to 37.7 percent for the year ended June 30, 2018. The next largest revenue source was net tuition and fees, comprising 33.0 percent of revenue for the year ended June 30, 2019, compared to 31.2 percent for the year ended June 30, 2018.

Expenses

Expenses totaled \$117.6 million and \$115.8 million for the years ended June 30, 2019 and 2018.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Instruction expenses accounted for 35.1 percent of total expenses by function for the year ended June 30, 2019, compared to 34.3 percent for the year ended June 30, 2018. The percentages for the remaining expenses by functional area range from 12.9 percent for Academic Support to 0.1 percent for Research for the year ended June 30, 2019, compared to 13.3 percent and 0.1 percent for the year ended June 30, 2018.

Salaries and benefits comprised 62.0 percent of total expenses by natural classification for the year ended June 30, 2019, compared to 62.3 percent for the year ended June 30, 2018. Other expenses represent 26.9 percent of total expenses for the year ended June 30, 2019, compared to 25.9 percent for the year ended June 30, 2018. Financial aid and depreciation accounted for the remaining 11.1 percent of expenses for the year ended June 30, 2019, compared to 11.8 percent for the year ended June 30, 2018.

Statement of Cash Flows

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

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Even though GASB No. 35 treats the state operating grant, sales tax collections, gifts and investment income as nonoperating revenues, for higher education institutions, these cash inflows are critical to funding the operations of the University.

Condensed Combined Statements of Cash Flows For the Years Ended June 30, 2020, 2019, and 2018

	2020	2019	2018
Cash provided (used) by:			
Operating activities	\$ (53,476,912)	\$ (57,245,291)	\$ (52,751,440)
Noncapital financing activities	87,460,462	70,857,512	57,604,652
Capital and related financing activities	(22,637,924)	(1,433,165)	(6,522,466)
Investing activities	5,937,205	(7,833,566)	5,894,595
Change in Cash	17,282,830	4,345,490	4,225,341
Cash - Beginning of Year	34,100,445	29,754,955	25,529,614
Cash - End of Year	\$ 51,383,275	\$ 34,100,445	\$ 29,754,955

Fiscal Year 2020 Compared to Fiscal Year 2019

Significant sources of cash included sales tax revenues, state appropriations, and tuition and fees. Significant uses of cash were for payments to suppliers and vendors, payments to employees (including benefits), payments for scholarships and fellowships, capital assets, and self-insurance claims paid.

The cash position of the University increased by approximately \$17.3 million during the year ended June 30, 2020, compared to an increase of approximately \$4.3 million during the year ended June 30, 2019. These changes are largely attributable to noncapital financing activities, including the receipt of gifts and grants.

Fiscal Year 2019 Compared to Fiscal Year 2018

Significant sources of cash included sales tax revenues, state appropriations, and tuition and fees. Significant uses of cash were for payments to suppliers and vendors, payments to employees (including benefits), payments for scholarships and fellowships, capital assets, and self-insurance claims paid.

The cash position of the University increased by approximately \$4.3 million during the year ended

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

June 30, 2019, compared to an increase of approximately \$4.2 million during the year ended June 30, 2018. These changes are largely attributable to noncapital financing activities, including the receipt of gifts and grants.

Capital Asset and Debt Administration

Major Maintenance Funding/Deferred Maintenance

The University identifies, prioritizes and funds maintenance through a combination of sources such as the sales tax capital improvement fund, the debt retirement and construction fund, donor contributions, and general fund allocations. As a result of this process, the University actively manages its deferred maintenance issues.

Capital Assets

At June 30, 2020, the University reported \$132.0 million invested in capital assets, net of accumulated depreciation, compared to \$123.8 million and \$129.0 million at June 30, 2019 and 2018, respectively. Depreciation charges totaled \$10.4 million for the fiscal year ended June 30, 2020, compared to \$11.0 million and \$11.4 million for the years ended June 30, 2019 and 2018, respectively. Details of these assets are as follows:

Condensed Statements of Capital Assets, Net of Accumulated Depreciation As of June 30, 2020, 2019, and 2018

	2020	2019	2018
Land	\$ 1,444,104	\$ 1,444,104	\$ 1,444,104
Buildings, improvements, and infrastructure	99,810,853	103,386,743	108,403,212
Furniture, fixtures, and equipment	6,552,678	7,730,536	9,070,803
Computers and electronic equipment	2,938,159	1,850,434	2,047,028
Books and collections	282,110	473,290	594,161
Broadcasting tower, antenna, and equipment	989,407	1,090,403	1,118,780
Vehicles	836,066	1,015,249	749,839
Works of art and historical treasures	3,952,794	3,811,154	3,811,154
Construction in progress	15,182,724	2,982,656	1,780,226
Capital Assets, Net	\$ 131,988,895	\$ 123,784,569	\$ 129,019,307

Strategic additions during the fiscal year ended June 30, 2020 included renovations to Henderson Hall, softball facility improvements, Memorial Union A & B improvements and computer refresh program.

Strategic additions during the fiscal year ended June 30, 2019 included completion of the Memorial Union roof replacement, Living Learning Center chilled water improvements, Mabee Library classroom improvements, and scoreboard replacements.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

Strategic additions during the fiscal year ended June 30, 2018 included completion of the Rita Blitt Art Gallery and acquisition of a new campus wide phone system.

Debt

At June 30, 2020, the University had \$48.5 million in outstanding revenue bonds and capital leases compared to \$50.9 million and \$44.5 million at June 30, 2019 and 2018, respectively. The decrease from 2019 to 2020 resulted from the July 2019 capital lease issued to fund computer purchases netted against principal debt payments. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

Outstanding Bond and Capital Lease Principal As of June 30, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds:			
Series 2010	\$ 2,960,000	\$ 4,130,000	\$ 5,270,000
Series 2014	4,640,000	5,075,000	6,040,000
Series 2015A	19,040,000	19,440,000	19,745,000
Series 2015B	5,810,000	6,135,000	6,455,000
Series 2018	9,325,000	9,695,000	—
Total Bonds	<u>41,775,000</u>	<u>44,475,000</u>	<u>37,510,000</u>
Capital Leases	<u>6,768,347</u>	<u>6,396,728</u>	<u>7,031,304</u>
Total Outstanding Debt	<u>\$ 48,543,347</u>	<u>\$ 50,871,728</u>	<u>\$ 44,541,304</u>

On July 19, 2019, the University entered into a capital lease agreement to fund computer equipment purchases. This allowed the University to be placed on a five-year replacement/refresh cycle and keep desktop and laptop systems current, operational, and consistent across campus. The original amount of the four-year lease is \$1,292,460 with an interest rate of 2.60%. Annual principal and interest payments of \$271,929 are due July 19 each year, beginning in 2019 and ending in 2023. Title to the equipment is held by the University.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

On April 24, 2018, Moody's Investors Service updated its credit analysis of the University. Among other things, Moody's credit opinion stated "Washburn University's (A1 rating with a stable outlook) very good credit quality is supported by its diverse stream of revenues from city and county taxes, as well as state appropriations, demonstrating regional educational importance." Moody's A1 rating indicates that the University's bonds are considered upper-medium investment grade and are subject to low credit risk. Further, the insured rating on the Series 2018 Revenue Bonds indicates that when taking bond insurance into account, the bonds are considered to be high-quality credits, subject to very low credit risk.

Economic Outlook

University management believes the University is well positioned to maintain its strong financial condition and to continue providing a quality education to its students and excellent service to its stakeholders. The University's financial position, as evidenced by its A1 rating from Moody's, provides a high degree of flexibility in obtaining funds on competitive terms. This flexibility, along with ongoing efforts toward revenue enhancements and cost containment, will enable the University to obtain the necessary resources to sustain excellence and to continue to execute its long-range plan to modernize and expand its complement of older facilities with a balance of new construction. This strategy addresses the University's growth and the expanding role of technology in teaching and research methodologies.

State Appropriations

The University has experienced modest growth in state appropriations over time, but the growth has not kept pace with ever increasing operating costs. This experience has been shared by virtually every other public university in the nation. However, due to its diverse revenue streams the University has not been as severely impacted as most public institutions. On the other hand, the lack of steady, dependable growth in state support has slowed progress and negatively impacted student costs.

The University's fiscal year 2021 budget anticipates a \$1.3 million or 10.7 percent decrease when compared to fiscal year 2020. Due to ongoing uncertainty surrounding state funding, the University continues to explore and implement when appropriate cost reductions, program/revenue enhancements, and instructional delivery alternatives.

Local Appropriations

Sales and property tax (i.e., local appropriations) revenues are susceptible to fluctuations beyond the University's ability to control or, to some extent, anticipate. As a result, the University's practice has been to budget tax revenues conservatively. Over the last several years tax revenues have remained relatively steady as a percentage of total revenues.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis

For fiscal year 2021, the University budgeted for sales tax revenue to be down \$1.3 million or 6.7 percent.

Tuition

The University's Board of Regents approved a 2.96 percent tuition increase for fiscal year 2021.

For Fall 2020, the University experienced a 6.4 percent reduction in total student headcount. The decrease was anticipated and planned for when developing the fiscal year 2021 budget. The shortfall is being offset primarily by eliminating several vacant faculty positions, implementing a hiring freeze, reducing travel, reducing benefit costs and other operating costs.

Other than the foregoing, the University is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on the financial position or results of operations during this fiscal year.

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

Requests for Information

This report is designed to provide the reader a general overview of the University's financial position. Questions or requests for more information concerning any of the information provided in it should be directed to Luther Lee, Director of Finance and Controller, 1700 SW College Avenue, Topeka, Kansas 66621.

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 1 of 2

Assets and Deferred Outflows of Resources

	June 30,	
	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 42,368,293	\$ 27,797,897
Short-term investments	—	8,835,535
Taxes receivable	4,289,597	3,942,017
Accounts receivable, net of allowance of \$4,126,446 and \$3,447,252 in 2020 and 2019, respectively	8,683,654	7,603,070
Receivable from Washburn University Foundation	130,263	10,922,711
Other current receivables	300,000	300,000
Inventories	627,239	503,366
Other assets	1,339,945	1,390,971
Total Current Assets	57,738,991	61,295,567
Noncurrent Assets:		
Restricted cash and cash equivalents	9,014,982	6,302,548
Perkins loans receivable	536,217	655,502
Receivable from Washburn University Foundation	28,613,402	32,229,434
Endowment investments	335,855	340,522
Prepaid insurance costs	6,128	10,884
Capital assets, net	131,988,895	123,784,569
Total Noncurrent Assets	170,495,479	163,323,459
Total Assets	228,234,470	224,619,026
Deferred Outflows of Resources:		
Excess of bond reacquisition costs over carrying value	256,356	309,322

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 2 of 2

Liabilities and Net Position

	June 30,	
	2020	2019
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,060,774	\$ 6,521,001
Accrued compensated absences, current portion	1,636,863	1,520,020
Unearned revenue	2,126,987	2,307,723
Capital lease obligation, current portion	908,967	648,912
Building revenue bonds, current portion	2,855,000	2,700,000
Deposits held in custody for others	199,246	198,549
Total Current Liabilities	15,787,837	13,896,205
Noncurrent Liabilities:		
Accrued compensated absences	549,531	352,277
Unearned revenue	2,063,298	1,909,650
Capital lease obligation	5,859,380	5,747,816
Building revenue bonds	39,661,365	42,593,708
Total Noncurrent Liabilities	48,133,574	50,603,451
Total Liabilities	63,921,411	64,499,656
Net Position:		
Net investment in capital assets	82,817,082	80,969,651
Restricted		
Nonexpendable		
Endowments	25,604,947	29,133,665
Expendable		
Scholarships	1,874,190	2,018,383
Loans	945,859	1,096,658
Self-funded insurance	7,859,765	6,021,312
Capital projects	280,060	261,861
Other	2,851,548	2,999,725
Unrestricted	42,335,964	37,927,437
Total Net Position	\$ 164,569,415	\$ 160,428,692

WASHBURN UNIVERSITY OF TOPEKA

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION –
WASHBURN UNIVERSITY FOUNDATION**

Assets

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 3,410,307	\$ 12,415,662
Investments	161,268,070	172,139,942
Bequests receivable	367,786	3,455,585
Pledges receivable	13,670,273	12,234,470
Accrued investment income receivable	93,116	32,654
Beneficial interests in trusts	9,303,610	6,988,068
Real estate, net	2,804,064	2,858,115
Equipment, net	52,234	56,343
Total Assets	\$ 190,969,460	\$ 210,180,839

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 492,927	\$ 485,321
Due to Washburn University of Topeka	130,263	10,922,711
Charitable gift liabilities	548,836	444,383
Funds managed on behalf of Washburn University of Topeka	28,613,402	32,229,434
Funds managed on behalf of Washburn Law School Foundation	6,965,268	7,243,290
Total Liabilities	36,750,696	51,325,139
Net Assets:		
Without donor restrictions	14,525,652	14,699,474
With donor restrictions	139,693,112	144,156,226
Total Net Assets	154,218,764	158,855,700
Total Liabilities and Net Assets	\$ 190,969,460	\$ 210,180,839

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

Assets

	June 30,	
	2020	2019
Investments held at Washburn University Foundation	\$ 6,965,268	\$ 7,243,290
Total Assets	\$ 6,965,268	\$ 7,243,290

Net Assets

Net Assets:		
Without donor restrictions	\$ 2,381,173	\$ 2,638,009
With donor restrictions	4,584,095	4,605,281
Total Net Assets	\$ 6,965,268	\$ 7,243,290

WASHBURN UNIVERSITY OF TOPEKA

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

Page 1 of 2

	For The Years Ended June 30,	
	2020	2019
Operating Revenues:		
Tuition and fees (net of scholarship allowances of \$23,664,996 and \$23,066,447 in 2020 and 2019, respectively)	\$ 37,489,565	\$ 39,191,148
Federal grants and contracts	28,438	44,314
Sales and services of educational departments	1,767,669	2,373,971
Auxiliary enterprises		
Residential Living (net of scholarship allowances of \$187,201 and \$231,845 in 2020 and 2019, respectively; revenues are used as security for revenue bonds Series 2010, 2014, 2015A and 2015B)	3,401,901	4,055,749
Memorial Union (revenues are used as security for revenue bonds Series 2010)	3,273,988	3,537,052
Other operating revenues	513,544	569,564
Total Operating Revenues	46,475,105	49,771,798
Operating Expenses:		
Educational and general		
Instruction	41,104,052	41,237,342
Research	132,504	142,032
Public service	3,219,114	3,233,852
Academic support	14,387,891	15,196,536
Student services	12,496,363	14,212,841
Institutional support	7,991,719	7,941,467
Operation and maintenance of plant	8,950,882	9,104,826
Depreciation	10,384,684	10,997,712
Financial aid	2,547,516	2,043,233
Auxiliary enterprises		
Residential Living	1,128,187	1,285,196
Memorial Union	3,122,355	3,165,680
Self-funded insurance claims, net of premiums	6,445,656	6,570,221
Total Operating Expenses	111,910,923	115,130,938
Operating Loss	(65,435,818)	(65,359,140)

WASHBURN UNIVERSITY OF TOPEKA

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

Page 2 of 2

	For The Years Ended June 30,	
	2020	2019
Nonoperating Revenues (Expenses):		
State appropriations	\$ 21,057,693	\$ 20,007,804
Local appropriations	26,895,193	26,088,654
Federal grants and contracts	14,700,497	14,189,901
State and local grants and contracts	384,878	29,487
Nongovernmental grants and contracts	87,187	29,393
Gifts	11,899,557	10,840,468
Investment income	(3,126,463)	48,827
Interest on indebtedness	(1,754,706)	(1,747,998)
Other nonoperating expenses	(1,014,787)	(773,244)
Net Nonoperating Revenues	69,129,049	68,713,292
Income Before Other Revenues	3,693,231	3,354,152
Capital Grants and Gifts	224,026	381,930
Additions to Permanent Endowments	223,466	302,937
Change in Net Position	4,140,723	4,039,019
Net Position - Beginning of Year	160,428,692	190,002,257
Change in accounting principle	—	(33,612,584)
Net Position - End of Year	\$ 164,569,415	\$ 160,428,692

WASHBURN UNIVERSITY OF TOPEKA

**CONSOLIDATED STATEMENT OF ACTIVITIES -
WASHBURN UNIVERSITY FOUNDATION**

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributions	\$ 1,284,804	\$ 10,154,027	\$ 11,438,831
Change in beneficial interest and other	—	1,370,627	1,370,627
Total support	1,284,804	11,524,654	12,809,458
Revenue:			
Investment return, net	882,958	(4,153,807)	(3,270,849)
Administration	835,101	—	835,101
Events	78,088	20,633	98,721
Other	34,108	162,786	196,894
Total revenue	1,830,255	(3,970,388)	(2,140,133)
Net assets released from restrictions	11,696,918	(11,696,918)	—
Total support and revenue	14,811,977	(4,142,652)	10,669,325
Expenses:			
Program services	10,660,698	—	10,660,698
Management and general	1,713,658	—	1,713,658
Fundraising	2,931,905	—	2,931,905
Total expenses	15,306,261	—	15,306,261
(Deficit) of support and revenue (under) expenses	(494,284)	(4,142,652)	(4,636,936)
Other fund transfers, net	320,462	(320,462)	—
Change in net assets	(173,822)	(4,463,114)	(4,636,936)
Net assets, beginning of year	14,699,474	144,156,226	158,855,700
Net assets, end of year	\$ 14,525,652	\$ 139,693,112	\$ 154,218,764

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 76,435	\$ 479,308	\$ 555,743
Investment return, net	(162,628)	(183,738)	(346,366)
Nongift and other income		3,000	3,000
Net assets released from restriction	319,718	(319,718)	—
Total support and revenues (loss)	233,525	(21,148)	212,377
Expenses:			
Program services	329,485	—	329,485
Management and general	160,914	—	160,914
Total expenses	490,399	—	490,399
(Deficit) of support and revenue (under) expenses	(256,874)	(21,148)	(278,022)
Other fund transfers, net	38	(38)	—
Change in net assets	(256,836)	(21,186)	(278,022)
Net assets, beginning of year	2,638,009	4,605,281	7,243,290
Net assets, end of year	\$ 2,381,173	\$ 4,584,095	\$ 6,965,268

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributions	\$ 2,438,141	\$ 9,410,300	\$ 11,848,441
Change in beneficial interest and other	—	575,269	575,269
Total support	2,438,141	9,985,569	12,423,710
Revenue:			
Investment return, net	516,174	5,374,674	5,890,848
Administration	1,149,321	—	1,149,321
Events	91,654	—	91,654
Other	264,965	85,410	350,375
Total revenue	2,022,114	5,460,084	7,482,198
Net assets released from restrictions	10,268,171	(10,268,171)	—
Total support and revenue	14,728,426	5,177,482	19,905,908
Expenses:			
Program services	9,772,235	—	9,772,235
Management and general	1,678,807	—	1,678,807
Fundraising	2,937,449	—	2,937,449
Total expenses	14,388,491	—	14,388,491
Excess of support and revenue over expenses	339,935	5,177,482	5,517,417
Other fund transfers, net	(41,784)	41,784	—
Change in net assets	298,151	5,219,266	5,517,417
Net assets, beginning of year	14,401,323	138,936,960	153,338,283
Net assets, end of year	\$ 14,699,474	\$ 144,156,226	\$ 158,855,700

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 238,413	\$ 21,511	\$ 259,924
Investment return, net	89,439	242,786	332,225
Nongift and other income	—	7,213	7,213
Net assets released from restriction	377,580	(377,580)	—
Total support and revenues (loss)	705,432	(106,070)	599,362
Expenses:			
Program services	178,279	—	178,279
Management and general	211,855	—	211,855
Total expenses	390,134	—	390,134
Change in net assets	315,298	(106,070)	209,228
Net assets, beginning of year	2,322,711	4,711,351	7,034,062
Net assets, end of year	\$ 2,638,009	\$ 4,605,281	\$ 7,243,290

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

Page 1 of 2

	For The Years	
	Ended June 30,	
	2020	2019
Cash Flows from Operating Activities:		
Tuition and fees	\$ 34,956,332	\$ 35,559,057
Grants and contracts	28,438	44,314
Auxiliary enterprise charges		
Residential Living	3,418,084	4,048,510
Memorial Union	3,200,158	3,257,348
Sales and services of educational departments	1,754,049	2,382,535
Collection of loans issued to students	103,725	92,203
Other receipts and disbursements	(30,914)	221,092
Self-insurance premiums	1,767,309	1,861,878
Payments to suppliers	(20,994,817)	(26,686,448)
Payments to employees	(66,918,797)	(67,550,448)
Payments for scholarships and fellowships	(2,547,516)	(2,043,233)
Payments for self-insurance claims and administrative fees	(8,212,965)	(8,432,099)
Net Cash Used in Operating Activities	(53,476,912)	(57,245,291)
Cash Flows from Investing Activities:		
Investment income	(2,898,330)	1,046,178
Proceeds from sales and maturities of investments	17,245,904	12,842,790
Purchase of investments	(8,410,369)	(21,722,534)
Net Cash Provided by (Used in) Investing Activities	5,937,205	(7,833,566)
Cash Flows from Noncapital Financing Activities:		
State appropriations	21,057,693	20,007,804
Local appropriations	26,547,613	26,163,502
Gifts and grants for other than capital purposes	41,137,905	25,409,810
Federal Family Education loan receipts	31,070,467	33,251,794
Federal Family Education loan disbursements	(31,339,125)	(33,309,332)
Other payments	(1,014,090)	(666,066)
Net Cash Provided by Noncapital Financing Activities	87,460,462	70,857,512
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of debt, net	1,292,460	10,009,295
Purchase of capital assets	(18,701,520)	(6,235,529)
Gifts and grants for capital purposes	224,026	381,930
Principal paid on long-term debt	(3,698,184)	(3,903,814)
Interest paid on long-term debt	(1,754,706)	(1,685,047)
Net Cash Used in Capital and Related Financing Activities	(22,637,924)	(1,433,165)
Change in Cash and Cash Equivalents	17,282,830	4,345,490
Cash and Cash Equivalents - Beginning of Year	34,100,445	29,754,955
Cash and Cash Equivalents - End of Year	\$ 51,383,275	\$ 34,100,445

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

Page 2 of 2

	For The Years Ended June 30,	
	2020	2019
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (65,435,818)	\$ (65,359,140)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	10,384,684	10,997,712
Loss on disposal of fixed assets	112,510	5,218
Changes in assets and liabilities:		
Receivables, net	(469,231)	(1,568,133)
Postemployment benefits	—	(12,582)
Inventories	(123,873)	53,050
Other assets	108,749	(203,379)
Perkins loans receivable	119,285	98,353
Accounts payable	1,539,773	(747,760)
Unearned revenue	(27,088)	(636,920)
Compensated absences	314,097	128,290
Net Cash Used in Operating Activities	\$ (53,476,912)	\$ (57,245,291)
Noncash Investing and Financing Transactions		
Capital additions included in accounts payable	\$ 225,296	\$ 775,545

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

1. **Organization and Summary of Significant Accounting Policies**

The accounting policies of Washburn University of Topeka (the University) conform to U.S. generally accepted accounting principles applicable to public institutions engaged only in business-type activities, as adopted by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The University is a municipal university governed by an appointed nine-member Board of Regents. The Board of Regents is comprised of the mayor of Topeka, three members appointed by the mayor, one member appointed by the Shawnee County Commission, three members appointed by the governor of Kansas, and one member appointed by the Kansas Board of Regents. The mayor of Topeka and the regent appointed by the Kansas Board of Regents serve as long as they are in their respective positions. All other regents are appointed for four-year terms.

Washburn Institute of Technology (Washburn Tech) is a technical school providing vocational and technical education to both high school students and post-secondary students. Students may participate in programs ranging from single courses to certificate programs to associate degree programs. The associate degree programs allow students to take general education courses from the University to complete the non-technical requirements of the degree.

Component Units

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, the University has identified three component units to be included in the accompanying financial statements. Because the University's Board of Regents is also the governing body of Washburn Tech, and because the University's management has operational responsibility for Washburn Tech, the financial statements present the University and Washburn Tech as a blended entity. The University's discretely presented component units are reported in separate basic financial statements to emphasize that they are legally separate from the University. References in these financial statements and notes to "the University" refer to the blended entity unless otherwise noted.

Discretely-Presented Component Units

The University's discretely-presented component units, Washburn University Foundation (the Foundation) and Washburn Law School Foundation (the Law Foundation), receive funds primarily through donations and contribute funds to the University to support various programs. The economic resources received or held by the foundations are almost entirely for the direct benefit of the University. Further, the University is entitled to a majority of such economic resources, and such economic resources are significant to the University.

Washburn University Foundation is a Kansas not-for-profit organization created to assist in the promotion, development and enhancement of the financial resources for Washburn University of Topeka, as well as to receive and hold in trust any assets given for the benefit of the University. The Foundation manages primarily endowment or trust funds, the income from which is used for the benefit of the University. The Foundation is responsible for the fundraising activities of the University.

Washburn Law School Foundation is a Kansas not-for-profit organization created to promote, maintain, improve and support the School of Law of Washburn University of Topeka, as well as to provide scholarships to students attending the law school.

The financial statements of the Foundation and Law Foundation follow Financial Accounting Standards Board (FASB) standards. Certain FASB revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information included in the University's financial statements for these differences. Complete audited financial statements for these component units may be obtained at their administrative offices at 1729 SW MacVicar Avenue, Topeka, KS 66604.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred or a benefit has been received, regardless of the timing of related cash flows. All significant intra-University transactions have been eliminated.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

The University distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. The University's primary operating revenues include student tuition and fees, sales and services of auxiliary enterprises, and sales and services of educational departments. Almost all of the University's expenses result from exchange transactions. Operating expenses include the costs of providing education and auxiliary services, administrative expenses, and depreciation on capital assets.

Certain significant revenues relied upon for operations, such as sales and property taxes (included in local appropriations), state appropriations, most grants and other contributions, do not result from exchange transactions, and are recorded as nonoperating revenues. The primary nonoperating expense is interest on indebtedness. Other significant nonoperating expenses are uncapitalized capital asset expenditures and bond issuance costs.

On an accrual basis, sales tax revenue is recognized at the time of the underlying transaction. Revenue from property taxes is recognized in the period which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied.

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

New Accounting Standards Adopted

During the fiscal year ended June 30, 2019, the University implemented GASB Statement No. 88: *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This new statement improves information that is disclosed in the notes related to debt, including direct borrowings and direct placements. Implementation of the new accounting standard is located in footnote 7.

Cash and Cash Equivalents

The University considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents which are restricted by external entities for capital expenditures, health insurance claims, or debt service are reported as restricted cash.

Accounts Receivable

Accounts receivable are recorded net of an allowance for estimated uncollectible amounts. Receivables are charged off against the allowance when deemed uncollectible. Recoveries of receivables previously charged off are recorded as revenue when received.

Inventories

Inventories are recorded at the lower of cost, using the first-in, first-out method, or market.

Investments

Investments, with the exception of certificates of deposit, are recorded at fair value based on quoted market prices and are Level 1 investments under the fair value hierarchy. Certificates of deposit are recorded at cost because they are not affected by market rate changes.

Bond Issuance Costs

Bond issuance costs are generally expensed when incurred, as they represent an outflow of resources.

Capital Assets

Capital assets include land, buildings, furniture, equipment, vehicles, books and collections, works of art, and construction in progress. Capital assets are defined as assets with an initial individual cost of more than \$100,000 for buildings, improvements and infrastructure, and \$5,000 for all other assets, and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The University's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. Certain works of art and historical treasures, which are deemed to be inexhaustible, are assets whose economic lives are used up so slowly their useful lives are extraordinarily long and are not depreciated. The estimated useful lives are:

Buildings, improvements and infrastructure	3 - 60 years
Furniture, fixtures and equipment	3 - 25 years
Computers and electronic equipment	3 - 7 years
Books and collections	5 - 7 years
Broadcasting tower, antenna and equipment	5 - 40 years
Vehicles	3 - 15 years

Equipment purchased with grant proceeds, for which the granting agency has a reversionary interest, is capitalized. These assets must be used for the purpose set forth in the grant agreement between the University and the granting agency.

The University's works of art and historical treasures that meet the following criteria have not been capitalized and, therefore, are not recorded:

- The collection is held for public exhibition, education or research in furtherance of public service, rather than financial gain.
- The collection is kept protected, kept unencumbered, cared for and preserved.
- The collection is subject to an organizational policy that requires the proceeds from the sales of collection items to be used to acquire other items for the collection.

Unearned Revenue

Unearned revenue at June 30, 2020, consists of unearned student fees of \$1,694,228 and deferred capital gifts of \$2,496,057. Unearned revenue at June 30, 2019, consists of unearned student fees of \$1,649,175 and deferred capital gifts of \$2,568,198.

Compensated Absences

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

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets

This represents the University'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.

Restricted Net Position - Expendable

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

Unrestricted Net Position

This includes resources derived from student tuition and fees, state and local appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Board of Regents to meet current expenses for any purpose.

Property Taxes

The lien date for property taxes is January 1. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. Billing and collection is done by Shawnee County. Assessed values are established by the Shawnee County appraiser's office.

Tax Abatements

Tax abatement agreements entered into by Shawnee County have an immaterial impact on the University. There are no other tax abatements that impact the University.

Income Taxes

The University is a municipal entity and is not subject to income taxes. However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income.

Fair Value Reporting

The University 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. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

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 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on the change in net position or total net position.

2. Budgetary Information

Kansas statutes require an annual operating budget be legally adopted for the general fund, certain restricted funds and debt service funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. Cash and Investments

The University maintains a cash and investment pool that is available for use by all funds.

Cash

At June 30, 2020 and 2019, the University's cash and cash equivalents consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 42,368,293	\$ 27,797,897
Restricted cash and cash equivalents	9,014,982	6,302,548
	<u>\$ 51,383,275</u>	<u>\$ 34,100,445</u>

Restricted cash and cash equivalents represent amounts which are restricted by statute or contractually for use in capital projects, for payment of self-funded health insurance claims, or for debt service.

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

WASHBURN UNIVERSITY OF TOPEKA

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 or the State of Kansas; bonds of any city, county, school district or special road district of the State of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2020 and 2019, the University's cash and cash equivalents were held in the following institutions:

	<u>2020</u>	<u>2019</u>
Deposits at financial institutions	\$ 15,715,503	\$ 12,734,532
Deposits in State of Kansas		
Municipal Investment Pool	35,667,772	21,365,913
	<u>\$ 51,383,275</u>	<u>\$ 34,100,445</u>

The University had no bank balances exposed to custodial credit risk at June 30, 2020 or 2019.

The University maintains deposits with the State of Kansas Municipal Investment Pool (KMIP) throughout the year. Deposits in the amount of \$35,667,772 and \$21,365,913, measured at net asset value, which approximates fair value, at June 30, 2020 and 2019, respectively, were held in the KMIP Overnight Municipal Investment Pool (OMIP). Deposits in the OMIP are invested nightly by the KMIP in a transaction similar to a repurchase agreement with a bank. The University does not have securities specifically listed in its name as part of its participation in the OMIP, and money can be withdrawn without penalty daily. The KMIP is included within the Kansas Pooled Money Investment Portfolio. The pool is managed and overseen by the Pooled Money Investment Board.

Investments

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

At June 30, 2019, the University had the following short-term investments, which all had an original maturity date of one year or less and matured by June 30, 2020:

	<u>2020</u>		<u>2019</u>
Money market funds	\$	—	\$ 501,151
US government issues		—	8,334,384
	<u>\$</u>	<u>—</u>	<u>\$ 8,835,535</u>

Endowment investments reported by the University at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>		<u>2019</u>
Preferred stocks, carried at fair value (cost of \$0 for 2019)	\$	—	\$ 150
Mutual funds, carried at fair value (cost of \$338,722 and \$338,016 for 2020 and 2019, respectively)		335,855	340,372
	<u>\$</u>	<u>335,855</u>	<u>\$ 340,522</u>

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

Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's mutual funds can be withdrawn without penalty.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the University had mutual funds that were unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University is not exposed to concentration risk at June 30, 2020.

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2020. The University's investments in money markets and U.S. government issues were held in trust in the University's name as of June 30, 2019.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The University categorized its fair value measurements applicable for reporting its investments within the fair value hierarchy. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The University's mutual funds are valued using quoted market prices (Level 1 inputs) at June 30, 2020. The University's U.S. government issues are valued using quoted market prices (Level 1 inputs) at June 30, 2019.

4. Receivable from Washburn University Foundation

Receivables from the Foundation consist of the University's participation in the investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of the Foundation's investments is recorded as a receivable from the Foundation. Receivables from the Foundation consisted of the following items held by the Foundation as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contributions for scholarships and other activities	\$ 1,421,471	\$ 1,483,910
Held pledges receivable	3,914	5,558
Restricted endowment income	1,689,247	1,653,006
Unreimbursed costs due to the University - Current	130,263	10,922,711
University endowment funds managed by the Foundation (see activity below)	25,498,771	29,086,960
	<u>\$ 28,743,665</u>	<u>\$ 43,152,145</u>

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

	<u>2020</u>	<u>2019</u>
Current receivable from Washburn University Foundation	\$ 130,263	\$ 10,922,711
Noncurrent receivable from Washburn University Foundation	28,613,402	32,229,434
	<u>\$ 28,743,665</u>	<u>\$ 43,152,145</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The University has transferred to the Washburn University Foundation certain assets of the endowment fund for management purposes only, under terms of an agreement executed by the University and the Foundation. The activity of these assets at June 30, 2020 and 2019 and for the years then ended is as follows:

	<u>2020</u>	<u>2019</u>
<u>Beginning principal transferred</u>	\$ 23,364,866	\$ 23,364,866
Post-transfer additions, net	5,499,765	5,315,529
Earnings added to corpus	146,015	155,087
Gifts received	152,758	104,455
End of year, at cost	29,163,404	28,939,938
Cumulative net unrealized gains	(3,664,633)	147,022
<u>End of year, at fair value</u>	<u>\$ 25,498,771</u>	<u>\$ 29,086,960</u>

5. Interest in the Net Assets of Washburn University Foundation

Effective July 1, 2018, the University elected to change its method of accounting for the University's Interest in the Net Assets of the Foundation. Prior to the election, the University presented its interest in the net assets of the Foundation as a separate account on its Statement of Net Position. The new method of accounting was adopted to conform the University's presentation to that of its peers and to reflect that the financial statements of the University include the discrete presentation of the Foundation's financial position. In accordance with GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the prior period financial statements have not been restated and the University made an adjustment to reduce opening net position on July 1, 2018 by \$33,612,584. If the University had not elected this change in accounting principle, the change in net position for the year ended June 30, 2019 would be higher by approximately \$1,310,000.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

6. Capital Assets

The following is a summary of capital assets for the years ended June 30, 2020 and 2019:

	2020				Balance - June 30, 2020
	Balance - July 1, 2019	Additions	Retirements	Construction In Progress Placed In Service	
Capital assets, not being depreciated:					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	3,811,154	141,640	—	—	3,952,794
Construction in progress	2,982,656	15,573,902	—	(3,373,834)	15,182,724
Total capital assets, not being depreciated	8,237,914	15,715,542	—	(3,373,834)	20,579,622
Capital assets, being depreciated:					
Buildings, improvements and infrastructure	204,776,960	3,418,879	—	—	208,195,839
Furniture, fixtures and equipment	34,051,245	711,326	(28,074)	—	34,734,497
Computers and electronic equipment	20,529,818	2,175,507	(94,826)	—	22,610,499
Books and collections	21,366,682	—	—	—	21,366,682
Broadcasting tower, antenna and equipment	8,114,052	—	—	—	8,114,052
Vehicles	2,393,883	54,099	(334,474)	—	2,113,508
Total capital assets, being depreciated	291,232,640	6,359,811	(457,374)	—	297,135,077
Less accumulated depreciation for:					
Buildings, improvements and infrastructure	(101,390,217)	(6,994,769)	—	—	(108,384,986)
Furniture, fixtures and equipment	(26,320,709)	(1,882,473)	21,363	—	(28,181,819)
Computers and electronic equipment	(18,679,384)	(1,087,782)	94,826	—	(19,672,340)
Books and collections	(20,893,392)	(191,180)	—	—	(21,084,572)
Broadcasting tower, antenna and equipment	(7,023,649)	(100,996)	—	—	(7,124,645)
Vehicles	(1,378,634)	(127,484)	228,676	—	(1,277,442)
Total accumulated depreciation	(175,685,985)	(10,384,684)	344,865	—	(185,725,804)
Total capital assets being depreciated, net	115,546,655	(4,024,873)	(112,509)	—	111,409,273
Total capital assets	\$ 123,784,569	\$ 11,690,669	\$ (112,509)	\$ (3,373,834)	\$ 131,988,895

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2019				
	Balance - July 1, 2018	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	3,811,154	—	—	—	3,811,154
Construction in progress	1,780,226	3,179,028	—	(1,976,598)	2,982,656
Total capital assets, not being depreciated	7,035,484	3,179,028	—	(1,976,598)	8,237,914
Capital assets, being depreciated:					
Buildings, improvements and infrastructure	202,314,878	2,462,082	—	—	204,776,960
Furniture, fixtures and equipment	33,323,857	780,624	(53,236)	—	34,051,245
Computers and electronic equipment	20,276,788	714,174	(461,144)	—	20,529,818
Books and collections	21,259,297	107,386	—	—	21,366,683
Broadcasting tower, antenna and equipment	8,040,721	73,331	—	—	8,114,052
Vehicles	1,973,218	428,166	(7,500)	—	2,393,884
Total capital assets, being depreciated	287,188,759	4,565,763	(521,880)	—	291,232,642
Less accumulated depreciation for:					
Buildings, improvements and infrastructure	(93,911,666)	(7,478,551)	—	—	(101,390,217)
Furniture, fixtures and equipment	(24,253,055)	(2,115,672)	48,018	—	(26,320,709)
Computers and electronic equipment	(18,229,760)	(910,768)	461,144	—	(18,679,384)
Books and collections	(20,665,136)	(228,257)	—	—	(20,893,393)
Broadcasting tower, antenna and equipment	(6,921,941)	(101,708)	—	—	(7,023,649)
Vehicles	(1,223,379)	(162,756)	7,500	—	(1,378,635)
Total accumulated depreciation	(165,204,937)	(10,997,712)	516,662	—	(175,685,987)
Total capital assets being depreciated, net	121,983,822	(6,431,949)	(5,218)	—	115,546,655
Total capital assets	\$ 129,019,306	\$ (3,252,921)	\$ (5,218)	\$ (1,976,598)	\$ 123,784,569

The University had approximately \$14,038,000 and \$22,006,000 at June 30, 2020 and 2019, respectively, in commitments for building construction and other contracts.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

7. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2020 and 2019:

	Balance			Balance		
	July 1,			June 30,	Current	Noncurrent
	2019	Additions	Reductions	2020	Portion	Portion
Bonds, capital leases and loans:						
Building revenue bonds	\$ 44,475,000	\$ —	\$ 2,700,000	\$ 41,775,000	\$ 2,855,000	\$ 38,920,000
Capital lease	6,396,728	1,292,460	920,842	6,768,347	908,967	5,859,380
Loans payable	—	—	—	—	—	—
Total bonds, capital leases, and loans	50,871,728	1,292,460	3,620,842	48,543,347	3,763,967	44,779,380
Other noncurrent liabilities:						
Unamortized bond premium	818,708	—	77,342	741,365	—	741,365
Compensated absences	1,872,297	314,097	—	2,186,394	1,636,863	549,531
Unearned revenue	4,217,373	2,280,635	2,307,723	4,190,285	2,126,987	2,063,298
Total other noncurrent liabilities	6,908,378	2,594,732	2,385,065	7,118,045	3,763,850	3,354,194
Total noncurrent liabilities	\$ 57,780,106	\$ 3,887,193	\$ 6,005,907	\$ 55,661,391	\$ 7,527,817	\$ 48,133,574

	Balance			Balance		
	July 1,			June 30,	Current	Noncurrent
	2018	Additions	Reductions	2019	Portion	Portion
Bonds, capital leases and loans:						
Building revenue bonds	\$ 37,510,000	\$ 10,155,000	\$ 3,190,000	\$ 44,475,000	\$ 2,700,000	\$ 41,775,000
Capital lease	7,031,304	—	634,576	6,396,728	648,912	5,747,816
Loans payable	45,635	—	45,635	—	—	—
Total bonds, capital leases and loans	44,586,939	10,155,000	3,870,211	50,871,728	3,348,912	47,522,816
Other noncurrent liabilities:						
Unamortized bond premium	852,311	48,232	81,835	818,708	—	818,708
Compensated absences	1,744,007	128,290	—	1,872,297	1,520,020	352,277
Postemployment benefits	12,582	—	12,582	—	—	—
Unearned revenue	4,854,247	1,925,793	2,562,667	4,217,373	2,307,723	1,909,650
Total other noncurrent liabilities	7,463,147	2,102,315	2,657,084	6,908,378	3,827,743	3,080,635
Total noncurrent liabilities	\$ 52,050,086	\$ 12,257,315	\$ 6,527,295	\$ 57,780,106	\$ 7,176,655	\$ 50,603,450

Building Revenue Bonds

Revenue Bonds – Series 2018

On October 17, 2018, the University issued \$10,155,000 in Revenue Bonds, Series 2018 (“2018 Series”), with interest rates of 3.00% to 4.00%. The 2018 Series bonds are due in annual principal payments ranging from \$380,000 to \$680,000, and mature between July 1, 2020 and July 1, 2038. Interest payments are payable semi-annually.

The 2018 Series bonds maturing in the years 2026 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2027.

Revenue Bonds – Series 2015A

On June 25, 2015, the University issued \$20,105,000 in Revenue Bonds, Series 2015A (the “2015A Series”), with interest rates of 3.00% to 5.00%. The remaining outstanding 2015A Series bonds are due in annual principal payments ranging from \$400,000 to \$1,340,000, and mature between July 1, 2020 and July 1, 2041. Interest is payable semi-annually.

The 2015A Series bonds maturing in the years 2026 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2025.

Revenue Bonds – Series 2015B – Private Placement

On June 25, 2015, the University issued \$7,070,000 in Revenue Bonds, Series 2015B (the “2015B Series”), with a fixed interest rate of 2.1515% through June 30, 2025. The remaining outstanding 2015B Series bonds are due in annual principal payments ranging from \$325,000 to \$360,000 and mature between July 1, 2020 and July 1, 2025.

The University may prepay the 2015B Series at any time, subject under certain circumstances to a prepayment penalty not to exceed 2%, declining over time to 0% on and after July 1, 2024.

The interest rate will reset for an additional term to be negotiated on July 1, 2025. The reset rate will equal the sum of (a) 65% of the applicable term Constant Maturity Treasury rate, and (b) 1.00%. The remaining principal balance of \$4,080,000 as of that date will be paid in annual installments ranging from \$370,000 to \$450,000, with a final maturity date of July 1, 2035.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Refunding Revenue Bonds - Series 2014

On June 30, 2014, the University issued \$9,655,000 in Refunding Revenue Bonds (the "2014 Series"), with interest rates of 2.00% to 4.00%, to currently refund \$9,935,000 of Series 2004 bonds (the "2004 Series"). The 2004 Series was called for redemption and payment on July 1, 2014. Annual principal payments on the 2014 Series range from \$435,000 to \$595,000.

The current refunding of the 2004 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$534,130, which is being amortized over the remaining life of the original bonds (through July 1, 2029). Amortization of this refunding cost (i.e. deferred outflows of resources) during the years ended June 30, 2020 and 2019 was \$41,211 and \$48,250, respectively.

Refunding Revenue Bonds - Series 2010

The remaining outstanding 2010 Series bonds consist of serial bonds due in annual principal payments ranging from \$495,000 to \$1,255,000 and mature between July 1, 2020 and July 1, 2023. The 2010 Series bonds bear interest at rates ranging from 3.40% to 3.70% payable semi-annually.

The 2010 Series bonds maturing in the years 2021 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2020.

Capital Leases

On June 28, 2013, the University entered into a capital lease agreement to fund equipment purchases relating to a campus-wide energy efficiency project. The lease has an original amount of \$10,000,000 with a net interest cost of 2.236%. The lease term is 15 years, with annual principal and interest payments of \$793,418 due each year on June 28. Prior to the end of the term, the University may terminate the lease at any time by making a payment equal to 103% of the then-outstanding principal balance.

Equipment capitalized under this lease agreement totaled \$12,661,501. The related accumulated depreciation totaled \$3,406,415 and \$2,856,100 at June 30, 2020 and 2019, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

On July 19, 2019, the University entered into a capital lease agreement to fund computer equipment purchases and to begin a five-year replacement/refresh cycle to keep desktop and laptop systems current, operational and consistent across campus. The original amount of the four-year lease was \$1,292,460 with an interest rate of 2.60%. Annual principal and interest payments of \$271,929 are due July 19 each year, beginning in 2019 and ending in 2023. Title to the equipment is held by the University.

The annual requirements to repay all bonds (excluding the 2015B Series, which were privately placed) and capital leases outstanding at June 30, 2020, including interest payments, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2021	\$ 3,433,967	\$ 1,549,124	\$ 4,983,091
2022	3,625,338	1,436,154	5,061,492
2023	2,987,213	1,310,198	4,297,411
2024	2,559,605	1,212,792	3,772,397
2025	2,360,596	1,136,845	3,497,441
2026 - 2030	10,871,628	4,472,852	15,344,480
2031 - 2035	7,625,000	3,676,881	11,301,881
2036 - 2041	9,270,000	1,204,413	10,474,413
	<u>\$ 42,733,347</u>	<u>\$ 15,999,258</u>	<u>\$ 58,732,605</u>

The annual requirements to repay the privately placed 2015B Series outstanding at June 30, 2020, including interest payments, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2021	\$ 330,000	\$ 125,002	\$ 455,002
2022	340,000	117,902	457,902
2023	345,000	110,587	455,587
2024	355,000	103,164	458,164
2025	360,000	95,527	455,527
2026 - 2030	1,930,000	357,472	2,287,472
2031 - 2035	2,150,000	140,923	2,290,923
	<u>\$ 5,810,000</u>	<u>\$ 1,050,578</u>	<u>\$ 6,860,578</u>

8. Pension Plan

The University provides retirement benefits for substantially all employees through individual annuities with TIAA-CREF (the Plan). Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employee. The University contributes 10 percent of an employee's salary once the employee has one year of service at the University or any other institution that previously offered a TIAA-CREF plan. The employee's contribution into the Plan is at the discretion of the employee. Certain employees are required to contribute a fixed percentage to the Plan; the percentage is dependent on the employee's annual salary. The Plan cost to the University for the years ended June 30, 2020 and 2019 was approximately \$4,693,000 and \$4,659,000, respectively.

9. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

Self-Funded Insurance

The University has established a fund for health insurance. The health insurance program began in October 2002 for all University employees. The health insurance fund is funded with contributions made during each payroll period from the University, its employees, and retirees. The rates are based on past historical costs for individual and family coverage and expected future claims. The plan is administered by a third party, which accumulates claims. During 2020 and 2019, the maximum amount the University was responsible for was a \$100,000 stop loss limit per individual. Any expenses incurred above the maximum were reimbursed by the insurance company. The claims liability reported at June 30, 2020 and 2019 is based on the requirements of GASB Statement No 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The cash balance in the health insurance fund as of June 30, 2020 and 2019 was approximately \$8,201,000 and \$5,846,000, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The changes in health care claims payable for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Claims payable - beginning of year	\$ 421,393	\$ 432,947
Incurred claims	6,403,569	6,563,173
Claim payments	<u>(6,395,603)</u>	<u>(6,574,727)</u>
Claims payable - end of year	<u>\$ 429,359</u>	<u>\$ 421,393</u>

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

10. Litigation and Contingencies

The University is a party to litigation matters and claims which are normal in the course of its operations. While the results of litigation and claims cannot be predicted with certainty, based on advice of counsel and considering insurance coverage, management believes the final outcome of such matters will not have a material adverse effect on the University's financial position.

Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2015, the Department of Education (ED) stipulated that new loans may not be disbursed under the program; however, the Perkins Loan Extension Act of 2015 was passed in December 2015 extending the date for which Perkins Loans may be disbursed to September 30, 2017. Therefore, effective October 1, 2017, new loans may not be awarded under the program and will ultimately result in the closure of the program. If students receive a disbursement of a Perkins Loan after June 30, 2017 and before October 1, 2017 for the 2017 - 2018 award year, the student may receive any subsequent disbursements of that Perkins Loan. Pursuant to GASB accounting standards, the University has recorded previous contributions from the federal government for the program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program will result in the University recording an expense when returning previous federal contributions received under this program to the ED.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

As a part of the program, each year a Distribution of Assets calculation is made by the ED to calculate any required amounts to be returned to the ED. Going forward, each year the ED will request the University to return the ED's interest in the cash restricted for the Perkins Loan program held by the University at each June 30. The request by the ED will be made subsequent to the submission of the FISAP, which is due by October 1 of each year following the most recent June 30 date. The University's cash restricted for the Perkins Loan Program for which all or a portion could be required to be returned in the 2020-2021 fiscal year totaled approximately \$126,000 at June 30, 2020, and will change in future years based upon the activity of the program. Amounts expected to be returned in the fiscal year ending June 30, 2021 have not been accrued at June 30, 2020 and will be recognized in expense in the year ended June 30, 2021 when funds are returned.

11. Condensed Combined Statements

Condensed combined statements for the University and its blended component unit, Washburn Tech, are presented on the following pages for the years ended June 30, 2020 and 2019.

Condensed Combined Statements of Net Position
June 30, 2020

	Washburn University	Washburn Tech	Eliminations	Combined
Assets:				
Current assets	\$ 51,369,809	\$ 6,369,181	\$ —	\$ 57,738,990
Noncurrent assets	163,047,090	7,448,389	—	170,495,480
Total Assets	214,416,899	13,817,570	—	228,234,469
Deferred Outflows of Resources	256,356	—	—	256,356
Liabilities:				
Current liabilities	14,872,171	915,665	—	15,787,837
Noncurrent liabilities	48,002,374	131,200	—	48,133,574
Total Liabilities	62,874,545	1,046,865	—	63,921,410
Net Position:				
Net investment in capital assets	76,013,083	6,803,999	—	82,817,082
Restricted - nonexpendable	25,604,947	—	—	25,604,947
Restricted - expendable	12,823,656	987,767	—	13,811,423
Unrestricted	37,357,024	4,978,939	—	42,335,963
Total Net Position	\$ 151,798,710	\$ 12,770,705	\$ —	\$ 164,569,415

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Condensed Combined Statements of Net Position June 30, 2019

	Washburn University	Washburn Tech	Eliminations	Combined
Assets:				
Current assets	\$ 55,647,534	\$ 5,648,033	\$ —	\$ 61,295,567
Noncurrent assets	155,516,122	7,807,337	—	163,323,459
Total Assets	211,163,656	13,455,370	—	224,619,026
Deferred Outflows of Resources	309,322	—	—	309,322
Liabilities:				
Current liabilities	13,055,983	840,222	—	13,896,205
Noncurrent liabilities	50,467,185	136,266	—	50,603,451
Total Liabilities	63,523,168	976,488	—	64,499,656
Net Position:				
Net investment in capital assets	73,885,512	7,084,139	—	80,969,651
Restricted - nonexpendable	29,133,665	—	—	29,133,665
Restricted - expendable	11,859,910	538,029	—	12,397,939
Unrestricted	33,070,723	4,856,714	—	37,927,437
Total Net Position	\$ 147,949,810	\$ 12,478,882	\$ —	\$ 160,428,692

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2020

	Washburn University	Washburn Tech	Eliminations	Combined
Operating Revenues:				
Tuition and fees	\$ 34,164,202	\$ 3,325,613	\$ (250)	\$ 37,489,565
Auxiliary enterprises	6,675,889	—	—	6,675,889
Other operating revenues	2,232,844	182,007	(105,200)	2,309,651
Total Operating Revenues	43,072,935	3,507,620	(105,450)	46,475,105
Operating Expenses:				
Education and general	76,522,657	12,949,858	(1,189,990)	88,282,525
Depreciation	8,956,843	1,427,841	—	10,384,684
Financial aid	2,196,093	351,423	—	2,547,516
Auxiliary enterprises	4,250,542	—	—	4,250,542
Self-insurance claims, net of premiums	5,361,116	—	1,084,540	6,445,656
Total Operating Expenses	97,287,251	14,729,122	(105,450)	111,910,923
Operating Loss	(54,214,316)	(11,221,502)	—	(65,435,818)
Nonoperating Revenues (Expenses):				
State and local appropriations	39,670,098	8,282,788	—	47,952,886
Grants and contracts	12,491,796	2,680,766	—	15,172,562
Gifts	11,323,055	576,502	—	11,899,557
Investment income	(3,201,157)	74,694	—	(3,126,463)
Interest on indebtedness	(1,752,094)	(2,612)	—	(1,754,706)
Other nonoperating expenses	(915,973)	(98,814)	—	(1,014,787)
Net Nonoperating Revenues	57,615,725	11,513,324	—	69,129,049
Income (Loss) Before Other Revenues	3,401,409	291,822	—	3,693,231
Capital Grant and Gifts	224,026	—	—	224,026
Additions to permanent endowments	223,466	—	—	223,466
Change in Net Position	3,848,901	291,822	—	4,140,723
Net Position - Beginning of Year	147,949,810	12,478,882	—	160,428,692
Change in Accounting Principle	—	—	—	—
Net Position - End of Year	\$ 151,798,711	\$ 12,770,704	\$ —	\$ 164,569,415

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position For The Year Ended June 30, 2019

	Washburn University	Washburn Tech	Eliminations	Combined
Operating Revenues:				
Tuition and fees	\$ 35,512,446	\$ 3,678,702	\$ —	\$ 39,191,148
Auxiliary enterprises	7,592,801	—	—	7,592,801
Other operating revenues	2,692,554	295,295	—	2,987,849
Total Operating Revenues	45,797,801	3,973,997	—	49,771,798
Operating Expenses:				
Education and general	80,218,720	11,918,101	(1,067,925)	91,068,896
Depreciation	9,652,456	1,345,256	—	10,997,712
Financial aid	1,710,544	332,689	—	2,043,233
Auxiliary enterprises	4,450,876	—	—	4,450,876
Self-insurance claims, net of premiums	5,502,296	—	1,067,925	6,570,221
Total Operating Expenses	101,534,892	13,596,046	—	115,130,938
Operating Loss	(55,737,091)	(9,622,049)	—	(65,359,140)
Nonoperating Revenues (Expenses):				
State and local appropriations	38,356,511	7,739,947	—	46,096,458
Grants and contracts	11,906,305	2,342,476	—	14,248,781
Gifts	10,407,553	432,915	—	10,840,468
Investment income	(48,776)	97,603	—	48,827
Interest on indebtedness	(1,745,127)	(2,871)	—	(1,747,998)
Other nonoperating expenses	(1,257,636)	484,392	—	(773,244)
Net Nonoperating Revenues	57,618,830	11,094,462	—	68,713,292
Income (Loss) Before Other Revenues	1,881,739	1,472,413	—	3,354,152
Capital Grant and Gifts	381,930	—	—	381,930
Additions to permanent endowments	302,937	—	—	302,937
Change in Net Position	2,566,606	1,472,413	—	4,039,019
Net Position - Beginning of Year	178,770,138	11,232,119	—	190,002,257
Change in Accounting Principle	(33,386,934)	(225,650)	—	(33,612,584)
Net Position - End of Year	\$ 147,949,810	\$ 12,478,882	\$ —	\$ 160,428,692

12. COVID-19

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified. The World Health Organization has declared the virus a pandemic. Currently, no vaccine has been made available to the public. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 12, 2020, students, faculty and staff began the transition of in-person classes to classes being conducted remotely via the University's distance learning systems. For the fiscal year ended June 30, 2020, the coronavirus outbreak has had a significant impact on the University's operations. While we expect the impact to extend into the new fiscal year, management cannot reasonably estimate the overall impact on operations, cash flows, or its overall financial position.

The Higher Education Emergency Relief Fund (HEERF), found in Section 18004 of the CARES Act, provided institutions of higher education with funding. The University was notified that it was entitled to receive \$4,500,174 (\$3,762,145 for Washburn University and \$738,029 for Washburn Tech) in two installments. The University signed and returned the Certification and Agreements to the U.S. Department of Education for the HEERF Funds for Emergency Financial Aid Grants to students and the Institutional portion.

Consistent with the terms of the certification, the University will use no less than 50% of the funds received, as stated under 18004(a)(1) of the CARES Act, to provide Emergency Financial Aid Grants directly to students. The University directed the funds to cover students' expenses related to the disruption of campus operations due to the coronavirus, including eligible expenses such as food, housing, course materials, technology, health care, and childcare. Loss of a job is not a result of the disruption of campus operations and does not qualify for HEERF. Institutions are given latitude on how to distribute the funding. This means that each institution may develop its own system and process for determining how to allocate these funds. Secretary of Education, Betsy DeVos, encouraged the leadership of each institution to prioritize students with the greatest need. The award amount was \$2,250,087 (\$1,881,073 for Washburn University and \$369,014 for Washburn Tech), and funds are being provided to students through an application process. From that award, \$766,090 was recorded as revenue and distributed to students (\$690,317 for Washburn University and \$75,773 for Washburn Tech).

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The second portion of the award was \$2,250,087 (\$1,881,073 for Washburn University and \$369,014 for Washburn Tech), consistent with Section 18004(c) of the CARES Act. From that award, \$766,090 was recorded as revenue and distributed in the form of refunds for spring semester student housing and payments to our food service and dining hall operator.

The University also received an award of \$201,597 under the Strengthening Institutions Program (SIP) which is under 18004 (a)(2) of the CARES act. These funds are being used to help offset the financial impact of lost contractual revenue from our food service and dining hall operator.

On August 24, 2020, the University signed a Grant Agreement with the Kansas Board of Regents for receipt of an award from the Coronavirus Relief Fund. This grant award was made in accordance with the terms of a federal grant program administered by the United States Department of Treasury (Treasury), pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and as further administered by the Strengthening People and Revitalizing Kansas (SPARK) Taskforce and the Kansas Board of Regents (KBOR), for the purpose of providing institutions of higher education (IHE's) with funding to recover costs directly associated with the Novel Coronavirus Disease (COVID-19) incurred by the institutions as they prepare and open their campuses to in-person instruction in the Fall 2020 semester. This grant award was made in accordance with State Finance Council Resolution 20-710, which approved disbursement of monies from the Coronavirus Relief Fund. The award for Washburn University was \$2,364,245 and \$463,956 for Washburn Tech and was received subsequent to fiscal year end. Any unspent monies are to be returned to KBOR by December 30, 2020

13. Washburn University Foundation - Accounting Policies and Disclosures

Basis of Financial Presentation

The Foundation's consolidated financial statements include the accounts of the Foundation, Impact Asset Management, L.L.C. (LLC), and the Washburn University Charitable Gift Fund (Fund) in accordance with accounting principles generally accepted in the United States of America. All significant intercompany transactions have been eliminated in consolidation.

The Foundation uses the accrual method of accounting.

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Assets without donor restrictions represent amounts available for support of the operations of the Foundation, and that are not subject to donor stipulation.

Assets with donor restrictions are subject to donor and/or time restrictions. These funds require either that the principal be invested in perpetuity and the income only be used by the Foundation or are restricted by the donor's intent as to usage.

Fair Value Measurement

Assets recorded at fair value on the statement of financial position are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs are other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs are unobservable and significant to the asset, and include situations where there is little, if any, market activity.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management’s perceived risk of that fund.

The fair value of the securities included in Level 1 include equity securities that are traded on an active exchange and are valued at the quoted market prices based on the last sale price on the measurement date. The fair value of the securities included in Level 2 include U.S. government obligations that are valued using pricing models maximizing the use of observable inputs for similar securities, as provided by the broker.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2020 and 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Investments

Investments in equity securities with readily determinable values are reported at fair value. Investments in various hedge funds, commingled accounts, and limited partnerships are recorded at the net asset value (NAV) per share, as a practical expedient to fair value, of the investments. Private equity and private real estate investments are carried at cost, less any adjustments for impairment.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

The Foundation has a policy of pooling assets for investment purposes, unless donor restrictions prohibit such pooling. During fiscal year 2020, the Foundation began allocating a portion of investment income from pooled assets to support the Foundation's operations. The amount of investment income allocated for fiscal year 2020 was approximately \$1,242,000. The remaining investment return from pooled assets in 2020, and all investment return from pooled assets in 2019, was generally allocated to each fund in the pool based on its relative market value. This change in policy had no impact on the total amount of investment return, net reflected in the consolidated statement of activities for the year ended June 30, 2020.

Investment securities are exposed to various risks such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term, including the macroeconomic impact of COVID-19, would materially affect investments and the amounts reported in the consolidated statement of financial position and consolidated statement of activities.

All investment income and realized and unrealized gains and losses are reported on the consolidated statement of activities and classified as without donor restrictions unless restricted by the donor or applicable law.

Pledges Receivable – Promises to Give

Unconditional promises to give that are expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of the estimated future cash flows. The discounts on those amounts are determined using risk-free rates applicable to the years in which the promises are received, adjusted for a risk premium rate if necessary.

Conditional promises to give are not recorded until such time as the conditions are substantially met.

Accounting Pronouncement

In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, effective for not-for-profit entities with fiscal years beginning after December 15, 2018.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

ASU 2016-01 addresses several matters related to measurement and disclosure of financial instruments, including accounting and disclosure requirements for investments carried at cost. While certain provisions of the ASU require retrospective accounting treatment upon adoption, the provisions related to investments carried at cost are applied prospectively. The Foundation adopted ASU 2016-01 effective July 1, 2019. Management has determined that the adoption of the ASU did not have a material impact on its accounting for investments or its previously reported results of operations and net assets. Certain disclosures related to investments carried at cost have been modified in accordance with the disclosure requirements of ASU 2016-01.

Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. Investments are as follows at June 30:

	2020			
	Total	Level 1	Level 2	Level 3
Investments carried at fair value:				
U.S. equity	\$ 11,595,033	\$ 11,595,033	\$ —	\$ —
International equity	4,638,880	4,638,880	—	—
Fixed income	5,409,709	—	5,409,709	—
Cash management	4,225,059	—	4,225,059	—
Life insurance policies	1,558,019	—	1,558,019	—
Other	218,054	—	—	218,054
Total	27,644,754	\$ 16,233,913	\$ 11,192,787	\$ 218,054
Investments at NAV	<u>111,678,648</u>			
Private equity investments	16,910,655			
Private real estate investments	<u>5,034,013</u>			
Total at cost	<u>21,944,668</u>			
Total investments	<u>\$ 161,268,070</u>			

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2019			
	Total	Level 1	Level 2	Level 3
Investments carried at fair value:				
U.S. equity	\$ 6,995,529	\$ 6,995,529	\$ —	\$ —
International equity	6,039,482	6,039,482	—	—
Fixed income	4,927,719	—	4,927,719	—
Life insurance policies	1,433,957	—	1,433,957	—
Other	220,300	—	—	220,300
	<hr/>			
Total	19,616,987	\$ 13,035,011	\$ 6,361,676	\$ 220,300
	<hr/>			
Investments at NAV	129,066,255			
	<hr/>			
Private equity investments	18,288,325			
Private real estate investments	5,168,375			
Total at cost	23,456,700			
	<hr/>			
Total investments	\$ 172,139,942			

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

	2020	2019
Beginning fair value	\$ 220,300	\$ 236,141
Sales		(16,000)
Net change in value	(2,246)	159
	<hr/>	
Ending fair value	\$ 218,054	\$ 220,300

Investments at NAV

Investments that are measured using the NAV practical expedient, by type, are outlined in the table below.

Description	June 30, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 20,239,629	None	Monthly	15-30 days
International equity (b)	25,048,731	None	Semi-monthly, monthly, quarterly	6-45 days
Global equity (c)	10,227,350	None	Monthly	6 days
Alternatives (d)	29,021,730	None	Semi-monthly, monthly, quarterly, annually	2-90 days
Public real estate (e)	6,362,957	None	Monthly	15-30 days
Fixed income (f)	20,778,251	None	Daily, monthly	2-5 days
	<u>\$ 111,678,648</u>			

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Description	June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 32,899,774	None	Monthly	15-62 days
International equity (b)	25,367,495	None	Semi-monthly, monthly, quarterly	9-45 days
Global equity (c)	6,821,512	None	Monthly	6 days
Alternatives (d)	35,184,217	None	Semi-monthly, monthly, quarterly, annually, 24 months	2-95 days
Public real estate (e)	9,664,107	None	Monthly	15-30 days
Fixed income (f)	<u>19,129,150</u>	None	Daily	2 days
	<u>\$ 129,066,255</u>			

- (a) This category includes investments in an offshore fund, limited partnership, and commingled accounts with strategies including U.S. Small Company Value, Opportunistic, and long/short funds (130/30).
- (b) This category includes investments in offshore funds, commingled accounts, an investment trust, and limited partnerships with strategies including Global ex U.S. Diverse, Global ex U.S. Growth, Asian Pacific ex Japan, Global ex U.S. Small Company Equity, and Emerging Market Equities.
- (c) This category includes an investment in a commingled account and an open-ended investment company, both with a Global Value Strategy.
- (d) This category includes investments in offshore funds, limited partnerships and a commingled account with strategies including Long/Short Equity Fund of Funds; Multi-Strategy, Event Driven; Multi-Strategy, Fixed Income Arbitrage; Multi-Strategy, Credit; Global Macro, Systematic Directional; 130/30; and Multi-Strategy. Certain funds may have the ability to impose suspension or postponement of redemptions until further notice (a Gate). In addition, certain funds may delay payment of a portion of redemption proceeds (a Holdback) until the annual audited financial statements are distributed.
- (e) This category includes investments in commingled accounts and a limited partnership with strategies including Global REIT and MLP-Energy.
- (f) This category includes a commingled account with an Intermediate-Term Fixed Income Strategy and a limited liability company with an income/capital appreciation strategy.

Private Placement Investments

Private placement investments include private equity and private real estate investments. These investments are recorded in the Foundation financial statements at cost, less any impairment adjustment, in the absence of readily determinable fair market values.

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies. Management evaluates each investment, considering the near-term prospects of the investee, the age of the investment, and the Foundation's estimated future cash inflows from the investments. As a result of this evaluation, the Foundation determined that the value of seven of the private investments were impaired and, accordingly, reduced the carrying value of these investments in the amount of \$4,390,875 during 2020. The impairment adjustment resulted in a reduction of Foundation investment income of \$3,282,906 and a reduction of investment income on agency funds held for the University and Law School Foundation of \$1,107,969. Cumulative impairment adjustments on these investments for current and prior years totaled \$5,679,773.

The private placement investees provide the Foundation with capital account information based on the estimated value of the underlying investments. The cumulative value as reported by the investees totaled approximately \$23,274,000 as of June 30, 2020, which indicates a net unrealized gain of \$1,329,000 after the impairment adjustments made during the year ended June 30, 2020. The net unrealized gain is composed of gross unrealized gains of \$2,697,000 and gross unrealized losses of \$1,368,000.

The Foundation has unfunded commitments on private placement investment funds of approximately \$19,000,000 at June 30, 2020.

These private placement investments do not provide for withdrawals or redemptions at the initiative of the partners; rather, distributions will be paid as investments are liquidated or from distributable cash as determined by the partnership agreements.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Investment Return

Amounts included in investment return, net of income (loss) allocated to agency funds are as follows:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 2,156,353	\$ 2,540,959
Net realized gain	2,771,334	920,563
Change in net unrealized (loss) gain	(4,210,210)	3,161,736
Permanent impairment on private placement investments	(3,282,906)	—
Investment expense	(705,420)	(732,410)
	<u>\$ (3,270,849)</u>	<u>\$ 5,890,848</u>

Pledges Receivable

The Foundation estimates pledges receivable will be collected as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 2,323,165	\$ 2,552,754
Receivable in one to five years	5,402,659	5,262,621
Thereafter	8,031,523	8,400,832
	<u>15,757,347</u>	<u>16,216,207</u>
Less allowance for uncollectible pledges	(138,626)	(146,627)
Less unamortized discount	(1,948,448)	(3,835,110)
	<u>\$ 13,670,273</u>	<u>\$ 12,234,470</u>

Pledges receivable are discounted at 0.6% and 2.8% in 2020 and 2019, respectively, except for one long-term pledge (19 years) in the amount of approximately \$4,200,000, which is discounted at a rate of 2.6% in 2020 and 3.9% in 2019.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2020</u>	<u>2019</u>
Pledges receivable, beginning	\$ 12,234,470	\$ 14,520,738
New pledges	3,725,432	3,074,445
Pledge payments received	(3,972,702)	(4,776,573)
Pledges written off	(92,886)	(124,724)
Transfers to bequest receivable	—	(994,000)
Reclassifications and change in discount	1,775,959	534,584
	<u>1,775,959</u>	<u>534,584</u>
Pledges receivable, ending	<u>\$ 13,670,273</u>	<u>\$ 12,234,470</u>

The Foundation has been notified of additional intentions to give that are expected to be collected in future periods, principally through wills and revocable trusts. As such, these intentions to give are considered conditional and have not been recorded in the financial statements.

The Foundation is the residual beneficiary of an estate gift from the trust of an individual donor with a current value of approximately \$5,400,000 (unaudited). This deferred gift has not been included in the accompanying financial statements in accordance with current accounting guidance.

Beneficial Interests in Trusts

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

	<u>2020</u>	<u>2019</u>
Perpetual trusts	\$ 7,854,895	\$ 5,300,233
Charitable remainder trusts	141,019	147,974
Charitable lead trust	1,307,696	1,539,861
	<u>1,307,696</u>	<u>1,539,861</u>
	<u>\$ 9,303,610</u>	<u>\$ 6,988,068</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	2020	2019
Beginning fair value	\$ 6,988,068	\$ 7,210,929
Distributions to Foundation	(380,869)	(570,024)
Change in value in beneficial interest	531,393	347,163
Transfer of trust from bequest receivable	2,165,018	—
Ending fair value	\$ 9,303,610	\$ 6,988,068

Net Assets and Agency Funds

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

2020	With Donor Restrictions			Without Donor Restrictions	Foundation Total Net Assets	Agency Funds (Related Parties)	Total	%
	Perpetual	Spendable	Pledge Receivables					
Scholarship	\$ 65,093,270	\$ 2,683,421	\$ 4,661,996	\$ —	\$ 72,438,687	\$ 23,267,842	\$ 95,706,529	50.4 %
Student support	897,114	373,915	251,959	—	1,522,988	81,107	1,604,095	0.8
Program support	18,517,550	3,879,602	772,153	—	23,169,305	3,060,658	26,229,963	13.8
Faculty support	4,040,657	154,249	570	—	4,195,476	207,653	4,403,129	2.3
Professorship/Chairs	10,525,625	32	1,407,416	—	11,933,073	3,677,586	15,610,659	8.2
Capital	1,635,140	11,018,273	6,456,409	—	19,109,822	117,817	19,227,639	10.1
Restricted for time purposes	—	—	59,522	—	59,522	30,839	90,361	0.1
Area of greatest need:								
Undesignated	—	—	—	14,525,652	14,525,652	3,322,910	17,848,562	9.4
Other	—	396,951	—	—	396,951	—	396,951	0.2
Perpetual endowment	4,033,238	—	—	—	4,033,238	2,229,120	6,262,358	3.3
Undistributed income subject to spending policy	2,834,050	—	—	—	2,834,050	(416,862)	2,417,188	1.4
	\$ 107,576,644	\$ 18,506,443	\$ 13,610,025	\$ 14,525,652	\$ 154,218,764	\$ 35,578,670	\$ 189,797,434	100.0 %

2019	With Donor Restrictions			Without Donor Restrictions	Foundation Total Net Assets	Agency Funds (Related Parties)	Total	%
	Perpetual	Spendable	Pledge Receivables					
Scholarship	\$ 67,941,551	\$ 2,586,025	\$ 4,280,860	\$ —	\$ 74,808,436	\$ 25,756,683	\$ 100,565,119	50.7 %
Student support	962,392	245,431	104,779	—	1,312,602	84,950	1,397,552	0.7
Program support	19,827,337	3,617,501	593,351	—	24,038,189	3,312,568	27,350,757	13.8
Faculty support	4,206,657	128,787	570	—	4,336,014	222,315	4,558,329	2.3
Professorship/Chairs	11,347,600	32	1,019,032	—	12,366,664	4,191,886	16,558,550	8.3
Capital	2,431,773	10,689,742	5,974,279	—	19,095,794	123,124	19,218,918	9.7
Restricted for time purposes	—	—	92,014	—	92,014	36,918	128,932	0.1
Area of greatest need:								
Undesignated	—	—	—	14,699,474	14,699,474	3,687,133	18,386,607	9.3
Other	—	191,556	—	—	191,556	—	191,556	0.1
Perpetual endowment	4,027,681	—	—	—	4,027,681	2,226,217	6,253,898	3.2
Undistributed income subject to spending policy	3,887,276	—	—	—	3,887,276	(169,070)	3,718,206	1.8
	\$ 114,632,267	\$ 17,459,074	\$ 12,064,885	\$ 14,699,474	\$ 158,855,700	\$ 39,472,724	\$ 198,328,424	100.0 %

Endowment Funds

The Foundation's endowment consists of approximately 700 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds that the Foundation must hold in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Kansas has enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides guidance and authority for the management of endowment funds.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings on the endowment fund remain classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds including the ability to spend from underwater funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the Foundation feels that distributions to be made in the future are as important as distributions made today. This is consistent with the philosophy that the Foundation is to exist in perpetuity, and therefore, should provide for distributions in perpetuity. The Foundation expects its endowment funds, over time, to provide an annualized total return (net of fees and expenses), through appreciation and investment income, equal to or greater than the rate of inflation, plus the Board approved distribution to Washburn University and budgeted operating expenses.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution an amount which normally makes available a percentage (4.75% in 2020 and 5% in 2019) of the twenty-one quarter moving average of the market value of the endowment pool. These computations are completed quarterly and commence with the September quarter-end prior to the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's primary objective of providing Washburn University with stable and predictable support for students and programs. To attain this goal, the Foundation seeks to grow the aggregate portfolio funds in perpetuity through investment earnings and growth through new gifts.

In February 2020, the Foundation's Board of Directors reviewed and approved the distribution of earnings from all funds including underwater endowments.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration (underwater endowments). These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs as deemed prudent by the Board of Directors.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

At June 30, funds with deficiencies were reported in net asset with donor restrictions as detailed below:

	<u>2020</u>	<u>2019</u>
Fair value of underwater endowment funds	\$ 53,177,300	\$ 33,122,546
Original endowment gift amount	67,628,587	41,336,302
<u>Deficiencies of underwater endowment funds</u>	<u>\$ 14,451,287</u>	<u>\$ 8,213,756</u>

Composition and changes in endowment net assets for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2020 Total</u>
Endowment net assets, beginning of year	\$ 585,413	\$ 91,432,030	\$ 92,017,443
Investment return, net	23,050	(4,129,819)	(4,106,769)
Contributions	—	3,722,955	3,722,955
Appropriation of endowment assets for expenditure	(108,769)	(4,585,509)	(4,694,278)
Other changes:			
Release from time restriction	383,203	(383,203)	—
<u>Endowment net assets, end of year</u>	<u>\$ 882,897</u>	<u>\$ 86,056,454</u>	<u>\$ 86,939,351</u>

Composition and changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2019 Total</u>
Endowment net assets, beginning of year	\$ 807,730	\$ 88,068,398	\$ 88,876,128
Investment return, net	55,129	4,265,842	4,320,971
Contributions	—	4,864,231	4,864,231
Appropriation of endowment assets for expenditure	(687,958)	(5,355,929)	(6,043,887)
Other changes:			
Release from time restriction	410,512	(410,512)	—
<u>Endowment net assets, end of year</u>	<u>\$ 585,413</u>	<u>\$ 91,432,030</u>	<u>\$ 92,017,443</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Related Parties

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

As of June 30, 2020 and 2019, the Foundation owes the University \$130,263 and \$10,922,711 for amounts related to outstanding billings on private gift funds and reimbursement of operating expenses.

During 2020 and 2019, the Foundation provided direct support in the amount of \$10,005,498 and \$9,117,275 and made distributions from agency accounts as reflected below.

The University provides free use of certain facilities and services to the Foundation. The Foundation recorded in-kind contribution revenue and expense of \$345,000 for 2020 and 2019.

The Foundation holds and manages certain assets of the University and Law School Foundation. Combined agency transactions were as follows:

	<u>2020</u>	<u>2019</u>
Fair market value of agency accounts, beginning of year	\$ 39,472,724	\$ 39,838,212
Contributions	788,737	453,320
Non-gift income	109,922	175,796
Investment return, net	(1,963,013)	1,919,474
Distributions	(1,994,599)	(1,764,757)
<u>Expense allocation for administration and fundraising</u>	<u>(835,101)</u>	<u>(1,149,321)</u>
<u>Fair market value of agency accounts, end of year</u>	<u>\$ 35,578,670</u>	<u>\$ 39,472,724</u>

14. Washburn Law School Foundation - Accounting Policies and Disclosures

Basis of Accounting and Presentation

The Law Foundation uses the accrual method of accounting.

The Law Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Assets without donor restrictions represent amounts available for support of the operations of the Law Foundation, and that are not subject to donor stipulation.

Assets with donor restrictions are subject to donor and/or time restrictions. These funds require either that the principal be invested in perpetuity and the income only be used by the Law Foundation or are restricted by the donor's intent as to usage.

Accounting Pronouncements Adopted

In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, effective for not-for-profit entities with fiscal years beginning after December 15, 2018.

ASU 2016-01 addresses several matters related to measurement and disclosure of financial instruments, including accounting and disclosure requirements for investments carried at cost. While certain provisions of the ASU require retrospective accounting treatment upon adoption, the provisions related to investments carried at cost are applied prospectively. The University Foundation adopted ASU 2016-01 effective July 1, 2019. Management has determined that the adoption of the ASU did not have a material impact on its accounting for investments or its previously reported results of operations and net assets. Certain disclosures related to investments carried at cost have been modified in accordance with the disclosure requirements of ASU 2016-01.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Investments Held at Washburn University Foundation

The Law Foundation has an agreement with Washburn University Foundation (the University Foundation) whereby the University Foundation provides administration, fundraising, accounting, and investment services to the Law Foundation. Investments held at Washburn University Foundation consist of investments and earnings held at the University Foundation for the benefit of the Law Foundation. These amounts are pooled with other funds held by the University Foundation for investment purposes, unless donor restrictions prohibit such pooling. Income received from pooled assets is allocated to various funds calculated on the value of the entire pool.

Investments held at Washburn University Foundation are reported at fair value, except for private placements, which are reported at cost.

Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term, including the macroeconomic impact of COVID-19, would materially affect investments and the amounts reported in the statement of financial position and the statement of activities.

All investment income and realized and unrealized gains and losses are reported on the statement of activities and classified as without donor restriction unless restricted by the donor or applicable law.

Amounts included in investment return, net in the statement of activities are:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 34,298	\$ 131,268
Net realized gain	177,252	60,941
Change in unrealized (loss) gain	(287,819)	185,761
Permanent impairment on private placement investments	(225,758)	—
<u>Investment expense</u>	<u>(44,339)</u>	<u>(45,745)</u>
	<u>\$ (346,366)</u>	<u>\$ 332,225</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 1 - REVENUES, EXPENDITURES, AND COMPARISON WITH BUDGET

General Fund and Auxiliary Enterprises For the Years Ended June 30, 2020 and 2019

	<u>FY 2020 Budget</u>	<u>FY 2020 Actual</u>	<u>FY 2019 Actual</u>
Revenues:			
Tuition and fees	\$ 53,095,213	\$ 51,137,620	\$ 51,005,811
Income from endowment fund	895,936	1,155,162	429,322
Sales tax and other taxes	19,829,693	19,829,693	18,567,818
State appropriations	12,304,771	12,213,922	11,767,826
Other income	3,486,910	3,305,372	4,244,406
Use of reserves	2,391,694	—	—
Auxiliary enterprises	9,336,477	7,762,251	7,822,902
Total Revenues	<u>101,340,694</u>	<u>95,404,020</u>	<u>93,838,085</u>
Expenditures:			
Instruction	43,627,169	35,308,024	39,237,854
Public service, academic support and research	14,526,709	15,659,933	14,152,170
Student services	10,345,408	10,593,698	10,178,635
Institutional support	7,152,793	6,852,751	6,927,194
Maintenance of plant	8,954,483	7,616,566	7,641,698
Scholarships and fellowships	4,531,604	6,280,563	5,912,123
Other expenses and transfers	2,866,051	1,887,775	1,484,677
Contingency	7,400,000	—	—
Auxiliary enterprises	9,336,477	7,863,482	8,170,949
Total Expenditures	<u>108,740,694</u>	<u>92,062,792</u>	<u>93,705,300</u>
Change in Net Position	<u>\$ (7,400,000)</u>	3,341,228	132,785
Net Position - Beginning of Year		<u>17,270,923</u>	<u>17,138,138</u>
Net Position - End of Year		<u>\$ 20,612,151</u>	<u>\$ 17,270,923</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 2 - REVENUES, EXPENDITURES, AND COMPARISON WITH BUDGET

Debt Retirement and Construction Fund For the Years Ended June 30, 2020 and 2019

	FY 2020 Budget	FY 2020 Actual	FY 2019 Actual
Revenues:			
Ad valorem property and other taxes	\$ 4,052,681	\$ 4,565,119	\$ 3,794,376
Transfer from Smoothing Fund	709,200	—	709,061
Transfer from other funds - debt service	4,631,581	4,889,171	4,665,328
Total Revenues	9,393,462	9,454,290	9,168,765
Expenditures:			
Bond principal	2,700,000	2,700,000	3,190,000
Lease principal	648,912	920,842	634,577
Interest and commissions on bonds	1,746,833	1,771,715	1,758,065
Transfers for construction, repairs or equipping of new or existing buildings	4,000,000	3,305,057	3,355,567
Other	—	—	190,419
Total Expenditures	9,095,745	8,697,614	9,128,628
Change in Net Position	\$ 297,717	756,676	40,137
Net Position - Beginning of Year		73,610	33,473
Net Position - End of Year		\$ 830,286	\$ 73,610

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 3 - REVENUES, EXPENDITURES, AND
COMPARISON WITH BUDGET**

Tort Claim Liability Fund

For the Years Ended June 30, 2020 and 2019

	<u>FY 2020 Budget</u>	<u>FY 2020 Actual</u>	<u>FY 2019 Actual</u>
Revenues:			
Ad valorem property and other taxes	\$ 379,897	\$ 362,357	\$ 363,688
Investment income	5,000	—	—
Total Revenues	<u>384,897</u>	<u>362,357</u>	<u>363,688</u>
Expenditures:			
Insurance premium	415,000	299,359	282,610
Litigation expense	200,000	311,297	—
Miscellaneous expense	135,000	171,312	133,907
Contingency	340,000	—	—
Total Expenditures	<u>1,090,000</u>	<u>781,969</u>	<u>416,517</u>
Change in Net Position	<u>\$ (705,103)</u>	(419,612)	(52,829)
Net Position - Beginning of Year		<u>971,972</u>	<u>1,024,801</u>
Net Position - End of Year		<u>\$ 552,360</u>	<u>\$ 971,972</u>

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 4 - REVENUES, EXPENDITURES, AND
COMPARISON WITH BUDGET**

Sales Tax Smoothing Fund

For the Years Ended June 30, 2020 and 2019

	<u>FY 2020 Budget</u>	<u>FY 2020 Actual</u>	<u>FY 2019 Actual</u>
Revenues:			
Sales tax and other taxes	\$ 1,460,000	\$ 1,248,295	\$ 2,472,773
Expenditures:			
Transfer to building construction fund	1,300,000	—	—
Transfer to general fund	500,000	—	—
Transfer to capital improvement fund	500,000	—	—
Transfer to debt retirement & construction fund	709,200	—	709,061
Contingency	1,500,000	—	—
Total Expenditures	<u>4,509,200</u>	<u>—</u>	<u>709,061</u>
Change in Net Position	<u>\$ (3,049,200)</u>	1,248,295	1,763,712
Net Position - Beginning of Year		<u>13,409,894</u>	<u>11,646,182</u>
Net Position - End of Year		<u>\$ 14,658,189</u>	<u>\$ 13,409,894</u>

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 5 - REVENUES, EXPENDITURES, AND
COMPARISON WITH BUDGET**

Capital Improvement Fund

For the Years Ended June 30, 2020 and 2019

	<u>FY 2020 Budget</u>	<u>FY 2020 Actual</u>	<u>FY 2019 Actual</u>
Revenues:			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ 890,000
Transfer from smoothing fund	500,000	—	—
Transfer from general fund	250,000	—	—
Total Revenues	<u>1,640,000</u>	<u>890,000</u>	<u>890,000</u>
Expenditures:			
Capital expenses	250,000	—	116,332
Non-mandatory transfers	890,000	890,000	890,000
Contingency	500,000	—	—
Total Expenditures	<u>1,640,000</u>	<u>890,000</u>	<u>1,006,332</u>
Change in Net Position	<u>\$ —</u>	—	(116,332)
Net Position - Beginning of Year		<u>—</u>	<u>116,332</u>
Net Position - End of Year		<u>\$ —</u>	<u>\$ —</u>

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 6 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET**

Washburn Institute of Technology

General Fund

For the Years Ended June 30, 2020 and 2019

	FY 2020 Budget	FY 2020 Actual	FY 2019 Actual
Revenues:			
Tuition and fees	\$ 4,560,694	\$ 4,329,798	\$ 4,705,128
Vocational state aid	7,951,318	8,107,221	7,569,227
Vocational capital outlay	175,567	175,567	170,720
Interest on investments	75,500	74,694	97,603
Other income - indirect reimbursement	500,000	—	—
Other sales and services	160,000	—	—
Use of reserves	750,000	194,315	271,161
Total Revenues	14,173,079	12,881,596	12,813,839
Expenditures:			
Instruction	6,962,508	6,473,417	6,931,460
Academic support	1,476,177	1,203,038	1,084,327
Student services	1,182,869	1,052,575	1,034,537
Institutional support	679,154	1,709,958	518,912
Maintenance of plant	1,422,941	1,489,544	1,341,674
Other expenses and transfers	2,449,430	753,401	556,158
Contingency	1,000,000	—	—
Total Expenditures	15,173,079	12,681,933	11,467,068
Change in Net Position	\$ (1,000,000)	199,663	1,346,771
Net Position - Beginning of Year		4,806,606	3,459,835
Net Position - End of Year		\$ 5,006,269	\$ 4,806,606

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 7 - OPERATIONS OF RESIDENTIAL LIVING

For the Years Ended June 30, 2020 and 2019

	<u>FY 2020</u> <u>Actual</u>	<u>FY 2019</u> <u>Actual</u>
Revenues:		
Room rental income	\$ 3,329,147	\$ 4,034,584
Receipts from coin machines, forfeited initial pay, camps, etc.	323,551	253,210
Total Revenues	<u>3,652,699</u>	<u>4,287,794</u>
Expenditures:		
Salaries and benefits	833,260	803,969
Scholarships, resident assistants	178,867	173,342
Insurance	59,839	65,888
Utilities, telephone and cable	611,954	636,283
Memberships	7,026	11,653
Repairs and operating supplies	72,456	100,603
Building space rental	(88)	310
Contracted services	10,262	30,074
Architects and Engineers	—	884
Travel	1,348	2,227
Total Expenditures	<u>1,774,923</u>	<u>1,825,233</u>
Net Operating Income	1,877,775	2,462,561
CARES Act funding for room rental refunds to students	740,058	—
Debt Service - Transfer to Debt Retirement and Construction Fund	<u>(2,486,807)</u>	<u>(2,421,088)</u>
Excess of Cash Receipts Over Expenditures	<u>\$ 131,026</u>	<u>\$ 41,473</u>