
WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2018

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Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Washburn University of Topeka (the University) as of and for the years ended June 30, 2018 and 2017, 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 \$203,450,691 and \$193,460,936 as of June 30, 2018 and 2017, respectively, and total revenues of \$22,070,279 and \$25,127,859, 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 \$7,034,062 and \$6,926,086 as of June 30, 2018 and 2017, respectively, and total revenues of \$570,226 and \$1,096,854, 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 opinions.

Emphasis Of Matters

As discussed in Note 1 to the financial statements, in 2018 Washburn University of Topeka adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to these matters.

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2018 and 2017, and the results of its operations and, where applicable, 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 5 through 17 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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 December 19, 2018, 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

December 19, 2018

WASHBURN UNIVERSITY OF TOPEKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The following 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, 2018 and comparative data for the fiscal years ended June 30, 2017 and 2016. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and for this discussion and analysis.

Management is also responsible for maintaining the 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 it.

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.

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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

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 is whether it is better or worse off financially as a result of the year's activities. The Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows provide information on the University as a whole and present a long-term view of the University's finances.

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.

Financial Highlights for the Fiscal Year Ended June 30, 2018

The discussion below addresses the financial highlights for both the University and Washburn Tech, based on the information presented in Note 11 to the financial statements.

Washburn University

The University's financial position remained strong at June 30, 2018, with total assets of \$237.0 million, deferred outflows of resources of \$372,000, and total liabilities of \$58.6 million. These amounts compare favorably to June 30, 2017, total assets of \$230.4 million, deferred outflows of resources of \$442,000, and total liabilities of \$62.2 million. Net position was \$178.8 million at June 30, 2018, which represented an increase of \$10.1 million when compared to the prior fiscal year's net position of \$168.7 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Fiscal Year 2018 operating revenues were \$43.8 million and operating expenses were \$97.5 million, resulting in a loss from operations of \$53.7 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. This net operating loss does not present a complete picture of the University's operations.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

To gain a complete picture of operations requires consideration of net nonoperating revenues. For the year ended June 30, 2018, net nonoperating revenues totaled \$56.4 million which, when combined with capital grants (\$7.1 million) and additions to endowments (\$336,000), resulted in an increase in net position of \$10.1 million compared to a decrease of \$592,000 for the year ended June 30, 2017.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2018, with total assets of \$12.2 million exceeding total liabilities of \$1.0 million. These amounts compare favorably to June 30, 2017, total assets of \$11.3 million and total liabilities of \$825,000. Net position was \$11.2 million at June 30, 2018, which represented an increase of \$759,000 when compared to the prior fiscal year's net position of \$10.5 million.

Washburn Tech's Fiscal Year 2018 operating revenues were \$3.5 million and operating expenses were \$13.3 million, resulting in a loss from operations of \$9.8 million. Net nonoperating revenues of \$10.3 million consist primarily of state appropriations and grants which, when combined with nonoperating capital grants (\$267,000), resulted in an increase in net position of \$759,000. The increase compared favorably to a decrease of \$972,000 for the year ended June 30, 2017.

Statement of Net Position

The Statement of Net Position presents the University's financial position 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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

A condensed combined comparison of the University's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2018, 2017 and 2016 is presented below:

Condensed Combined Statements Of Net Position As of June 30, 2018, 2017 And 2016

	2018	2017	2016
Assets			
Current assets	\$ 47,571,283	\$ 34,845,477	\$ 32,498,647
Capital assets, net	129,019,307	134,136,683	137,807,654
Other assets	72,592,825	72,754,268	77,738,457
Total Assets	249,183,415	241,736,428	248,044,758
Deferred Outflows Of Resources	372,273	442,447	519,437
Liabilities			
Current liabilities	14,936,411	14,855,278	18,710,101
Noncurrent liabilities	44,617,020	48,182,224	49,148,014
Total Liabilities	59,553,431	63,037,502	67,858,115
Net Position			
Net investment in capital assets	83,952,330	86,442,430	89,635,294
Restricted - nonexpendable	30,148,547	30,118,844	27,857,558
Restricted - expendable	43,078,335	38,574,758	45,547,974
Unrestricted	32,823,045	24,005,341	17,665,254
Total Net Position	\$ 190,002,257	\$ 179,141,373	\$ 180,706,080

Assets

Significant assets consist of cash and cash equivalents, accounts and taxes receivable, receivables from and interest in the net assets of Washburn University Foundation, and capital assets.

Current assets totaled \$47.6 million at June 30, 2018, and consisted primarily of cash and receivables. This represents an increase of \$12.7 million due primarily to an increase in receivables from the Washburn University Foundation to support capital expenditures. Total current assets at June 30, 2018 cover current liabilities 3.2 times, an indicator of good liquidity.

Capital assets, which represent the assets' historical cost net of accumulated depreciation, totaled \$129.0 million at June 30, 2018. This represents a decrease of \$5.1 million, which is attributable to depreciation and disposals exceeding capitalized expenditures.

Noncurrent assets totaled \$72.6 million at June 30, 2018, and consisted primarily of restricted cash of \$5.1 million and receivables of \$66.4 million from the Washburn University Foundation.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

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 must be reported as a deferred outflow of resources. During the year ended June 30, 2015, the University issued \$9.7 million of bonds to refund the Series 2004 bonds. In connection with the refunding, 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 2015 bonds. The remaining change in the balance from June 30, 2015 to June 30, 2018 is the result of annual amortization of the original balances. There were no additions to deferred outflows of resources during the years ended June 30, 2018, 2017, and 2016.

Liabilities

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

Current liabilities totaled \$14.9 million and \$14.9 million at June 30, 2018 and 2017, respectively, and consisted primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of long-term debt.

Noncurrent liabilities totaled \$44.6 and \$48.2 million at June 30, 2018 and 2017, respectively, and consisted primarily of long-term debt obligations and unearned revenue. This reflects a decrease of \$3.6 million due primarily to the scheduled amortization of bond and capital lease obligations.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, provides for the University's equity in capital assets, net of related indebtedness and deferred outflows of resources.

The next category is restricted net position, which is further divided into two categories, nonexpendable and expendable. Nonexpendable restricted resources (endowment fund corpus) is only available for investment purposes.

Expendable restricted net position is subject to external or Board-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 that have placed time or purpose restrictions on the use of the underlying 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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Fiscal Year 2017 Compared to Fiscal Year 2016

Current assets totaled \$34.8 million and \$32.5 million at June 30, 2017 and 2016, respectively, and consisted primarily of cash and receivables. Total current assets at June 30, 2017 covered current liabilities 2.3 times, an indicator of good liquidity.

Capital assets, which represent the assets' historical cost net of accumulated depreciation, totaled \$134.1 million at June 30, 2017. This represents a decrease of \$3.7 million, which is attributable to depreciation and disposals exceeding capitalized expenditures

Noncurrent assets totaled \$72.8 million and \$77.7 million at June 30, 2017 and 2016, respectively, and consisted primarily of restricted cash and receivables from the Washburn University Foundation.

Current liabilities totaled \$14.9 million and \$18.7 million at June 30, 2017 and 2016, respectively, and consisted primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of long-term debt.

Noncurrent liabilities totaled \$48.2 and \$49.1 million at June 30, 2017 and 2016, respectively, and consisted primarily of long-term debt obligations and unearned revenue. This reflects a decrease of \$966,000, which is attributable primarily to the scheduled amortization of bond and capital leases obligations and a \$2.4 million increase in unearned revenue.

Statements of Revenues, Expenses and Changes in Net Position

Changes in net position result from the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned and the expenses incurred by 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, appropriations 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 challenging economic times.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

A condensed combined comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2018, 2017 and 2016 is presented below.

Condensed Combined Statement Of Revenues, Expenses And Changes In Net Position For The Years Ended June 30, 2018, 2017 And 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 47,362,035	\$ 43,773,727	\$ 40,095,679
Operating expenses	110,868,676	110,238,351	109,984,499
	(63,506,641)	(66,464,624)	(69,888,820)
<u>Nonoperating revenues and expenses</u>	<u>66,676,238</u>	<u>64,309,731</u>	<u>69,282,371</u>
Income before other revenues	3,169,597	(2,154,893)	(606,449)
<u>Other revenues</u>	<u>7,691,287</u>	<u>590,186</u>	<u>504,745</u>
Increase (decrease) in net position	10,860,884	(1,564,707)	(101,704)
<u>Net position at beginning of year</u>	<u>179,141,373</u>	<u>180,706,080</u>	<u>180,807,784</u>
<u>Net position at end of year</u>	<u>\$ 190,002,257</u>	<u>\$ 179,141,373</u>	<u>\$ 180,706,080</u>

Fiscal Year 2018 Compared to Fiscal Year 2017

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$10.9 million during the year ended June 30, 2018 compared to a decrease of \$1.6 million during the year ended June 30, 2017. Highlights of the information provided in these statements is included below.

Revenues

Revenues, excluding capital grants and additions to permanent endowments, totaled \$119.0 million and \$112.1 million for the years ending June 30, 2018 and 2017, respectively. The \$6.9 million increase is attributable primarily to growth in student tuition and fees and private gifts.

State and local appropriations comprise 37.7 percent of the University's revenue for the year ended June 30, 2018 compared to 38.9 percent for the year ended June 30, 2017. The next largest revenue source was net tuition and fees, comprising 31.2 percent of revenue for the year ended June 30, 2018 compared to 30.3 percent for the year ended June 30, 2017.

Expenses

Expenses totaled \$115.8 million and \$114.3 million for the years ended June 30, 2018 and 2017.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Instruction expenses accounted for 37.6 percent of total expenses by function for the year ended June 30, 2018 compared to 37.8 percent for the year ended June 30, 2017. The percentages for the remaining expenses by function range from 10.9 percent for Student Services to 1.4 percent for Interest on Indebtedness for the year ended June 30, 2018, compared to 10.3 percent and 1.3 percent for the year ended June 30, 2017.

Salaries and Benefits comprise 70.0 percent of expenses by natural classification for the year ended June 30, 2018 compared to 72.5 percent for the year ended June 30, 2017. Operating expenses represent 18.2 percent of total expenses for the year ended June 30, 2018 compared to 14.9 percent for the year ended June 30, 2017. Financial Aid and depreciation represent the remaining 11.8 percent of expenses for the year ended June 30, 2018 compared to 12.6 percent for the year ended June 30, 2017.

Fiscal Year 2017 Compared to Fiscal Year 2016

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease of \$1.6 million for the year ended June 30, 2017 compared to a decrease of \$102,000 for the year ended June 30, 2016.

Revenues

Revenues, excluding capital grants and additions to permanent endowments, totaled \$112.1 million and \$113.7 million for the years ending June 30, 2017 and 2016, respectively. The \$1.6 million decrease is attributable primarily to declines in private gifts exceeding growth in student tuition.

State and local appropriations comprise 38.9 percent of the University's revenue for the year ended June 30, 2017 compared to 38.1 percent for the year ended June 30, 2016. The next largest revenue source was net tuition and fees, comprising 30.3 percent of revenue for the year ended June 30, 2017 compared to 27.7 percent for the year ended June 30, 2016.

Expenses

Expenses totaled \$114.3 million and \$114.3 million for the years ended June 30, 2017 and 2016.

Instruction expenses accounted for 37.8 percent of total expenses by function for the year ended June 30, 2017 compared to 38.8 percent for the year ended June 30, 2016. The percentages for the remaining expenses by function range from 10.3 percent for Student Services to 1.3 percent for Interest on Indebtedness for the year ended June 30, 2017, compared to 10.0 percent and 1.1 percent for the year ended June 30, 2016.

Salaries and Benefits comprise 72.5 percent of expenses by natural classification for the year ended June 30, 2017 compared to 70.2 percent for the year ended June 30, 2016. Operating expenses represent 14.9 percent of total expenses for the year ended June 30, 2017 compared to 18.5 percent for the year ended June 30, 2016. Financial Aid and depreciation represent the remaining 12.6 percent of expenses for the year ended June 30, 2017 compared to 11.3 percent for the year ended June 30, 2016.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Note that Financial Aid expense does not reflect total financial aid awarded to students. It reflects only the portion of financial aid awards in excess of the portion applied (i.e., waived/discounted) to student charges.

Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section 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.

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 Statement Of Cash Flows For The Years Ended June 30, 2018, 2017 And 2016

	2018	2017	2016
Cash provided by (used by):			
Operating activities	\$ (52,751,440)	\$ (56,764,424)	\$ (56,240,636)
Noncapital financing activities	57,604,652	57,426,234	61,283,690
Capital and related financing activities	(6,522,466)	(9,587,624)	(38,781,371)
Investing activities	5,894,595	7,100,577	3,343,824
Net increase (decrease) in cash	4,225,341	(1,825,237)	(30,394,493)
Cash - beginning of year	25,529,614	27,354,851	57,749,344
Cash - end of year	\$ 29,754,955	\$ 25,529,614	\$ 27,354,851

Fiscal Year 2018 Compared to Fiscal Year 2017

Significant sources of cash included sales tax revenues, the state operating grant, 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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

The cash position of the University increased by approximately \$4.2 million during the year ended June 30, 2018 compared to a decrease of approximately \$1.8 million during the year ended June 30, 2017. These changes are largely attributable to the receipt of capital gifts and grants.

Fiscal Year 2017 Compared to Fiscal Year 2016

The cash position of the University decreased by approximately \$1.8 million for the fiscal year ended June 30, 2017 compared to a decrease of approximately \$30.4 million for the fiscal year ended June 30, 2016. These differences are largely attributable to receipts from bond issuance in 2016 and disbursements related to construction projects at Morgan and Lincoln Hall during 2017.

Capital Asset and Debt Administration

Major Maintenance Funding/Deferred Maintenance

Each year the University prepares a report entitled, *Major Maintenance Funding Requirements, Five Year Estimate*, to identify the anticipated needs for replacement of major components, and major maintenance needs of buildings and campus infrastructure for a five-year period. These items are prioritized and funded through a combination of sources such as the sales tax capital improvement fund, the debt retirement and construction fund, donor contributions and general fund allocations. As a result of this process, the University actively manages its deferred maintenance issues.

Capital Assets

The University made strategic investments in capital assets during fiscal years 2018, 2017, and 2016. At June 30, 2018, the University reported \$129.0 million invested in capital assets, net of accumulated depreciation, compared to \$134.1 million and \$137.8 million at June 30, 2017 and 2016, respectively. Depreciation charges totaled \$11.4 million for the fiscal year ended June 30, 2018 compared to \$11.9 million and \$10.3 million for the years ended June 30, 2017 and 2016, respectively.

Details of these assets are as follows:

Condensed Statement Of Capital Assets, Net Of Depreciation For The Years Ended June 30, 2018, 2017 And 2016

	2018	2017	2016
Land	\$ 1,444,104	\$ 1,444,104	\$ 1,444,104
Buildings, improvements and infrastructure	108,403,212	111,444,433	88,105,136
Furniture, fixtures and equipment	9,070,803	10,338,224	9,447,750
Computers and electronic equipment	2,047,028	1,748,771	2,125,481
Books and collections	594,161	775,164	1,028,531
Broadcasting tower, antenna and equipment	1,118,780	1,217,095	1,304,779
Vehicles	749,839	863,002	855,091
Works of art and historical treasures	3,811,154	2,689,354	2,689,354
Construction in progress	1,780,226	3,616,536	30,807,428
	\$ 129,019,307	\$ 134,136,683	\$ 137,807,654

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Major 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.

Major additions during the fiscal year ended June 30, 2017 included completion of the Lincoln Residence and Dining Halls.

Major additions during the fiscal year ended June 30, 2016 included completion of the Morgan Hall renovation and student welcome center and remodeling of instructional spaces at Washburn Tech.

During fiscal 2010, KTWU received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009 (fiscal year 2010). The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The current interest rate is 1.92% and the final loan payment occurred on July 31, 2018. Annual debt service is funded via KTWU's general fund budget.

Debt

At June 30, 2018, the University had \$44.5 million in outstanding revenue bonds and capital leases compared to \$47.7 million and \$50.8 million at June 30, 2017 and 2016, respectively. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

Outstanding Debt Schedule As Of June 30, 2018, 2017 And 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Bonds			
Series 2010	\$ 5,270,000	\$ 6,375,000	\$ 7,450,000
Series 2014	6,040,000	6,975,000	7,895,000
Series 2015A	19,745,000	19,965,000	20,105,000
Series 2015B	6,455,000	6,765,000	7,070,000
Total Bonds	<u>37,510,000</u>	<u>40,080,000</u>	<u>42,520,000</u>
Capital Lease Liability	<u>7,031,304</u>	<u>7,651,863</u>	<u>8,258,712</u>
Total Outstanding Debt	<u>\$ 44,541,304</u>	<u>\$ 47,731,863</u>	<u>\$ 50,778,712</u>

Subsequent to year end, on October 17, 2018, the University issued \$10,155,000 in Revenue Bonds, Series 2018 ("Series 2018"), with interest rates of 3.00% to 4.00%. The Series 2018 bonds are due in annual principal payments ranging from \$370,000 to \$680,000, and mature between July 1, 2019 and July 1, 2038. Interest payments begin on July 1, 2019. 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.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

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 important". 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 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

Over the past several years, the University has had to deal with stagnant state appropriations. This experience has been shared with virtually every other public university in the nation. However, due to its diverse revenue streams and declining dependence on state support, 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 growth and negatively impacted student costs.

The University's fiscal 2019 budget anticipates modest growth (3.0%) in state appropriations when compared to fiscal 2018. Due to ongoing uncertainty surrounding state funding, the University continues to aggressively explore cost-reduction options, as well as possible revenue enhancements.

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 grown 1%-2% annually.

For FY 2019, the University held its tax budget constant.

Tuition

The University's Board of Regents approved a 3.9 percent tuition increase for fiscal year 2019.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Due to a modest enrollment decline in Fall 2018, the University amended its planned 1.5 percent pay increase for faculty and staff to a one-time \$500 stipend for eligible employees.

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 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 financial report is designed to provide the reader a general overview of the University's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Chris Kuwitzky, Controller and Director of Accounting, Morgan Hall 211-A, 1700 SW College Ave., Topeka, Kansas 66621.

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 1 of 2

Assets And Deferred Outflows Of Resources

	June 30,	
	2018	2017
Current Assets		
Cash and cash equivalents	\$ 24,659,718	\$ 21,130,629
Short-term investments	—	46,000
Taxes receivable	4,016,865	3,805,170
Accounts receivable, net of allowance of \$2,804,141 and \$2,604,035 in 2018 and 2017, respectively	7,392,345	7,641,252
Receivable from Washburn University Foundation	9,458,347	237,532
Other current receivables	300,000	300,000
Inventories	556,416	457,150
Other assets	1,187,592	1,227,744
Total Current Assets	47,571,283	34,845,477
Noncurrent Assets		
Restricted cash and cash equivalents	5,095,237	4,398,985
Perkins loans receivable	753,855	854,465
Receivable from Washburn University Foundation	32,804,150	38,774,859
Interest in the net assets of Washburn University Foundation	33,612,584	28,420,949
Endowment investments	310,168	281,150
Prepaid insurance costs	16,831	23,860
Capital assets, net	129,019,307	134,136,683
Total Noncurrent Assets	201,612,132	206,890,951
Total Assets	249,183,415	241,736,428
Deferred Outflows Of Resources		
Excess of bond reacquisition costs over carrying value	372,273	442,447

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 2 of 2

Liabilities And Net Position

	June 30,	
	2018	2017
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,268,761	\$ 7,342,879
Accrued compensated absences, current portion	1,447,606	1,494,114
Accrued postemployment benefits	12,582	84,372
Unearned revenue	2,562,667	2,466,003
Capital lease obligation, current portion	634,576	620,558
Loans payable, current portion	45,635	45,635
Building revenue bonds, current portion	2,730,000	2,570,000
Deposits held in custody for others	234,584	231,717
Total Current Liabilities	14,936,411	14,855,278
Noncurrent Liabilities		
Accrued compensated absences	296,401	219,739
Unearned revenue	2,291,580	2,440,678
Capital lease obligation	6,396,728	7,031,305
Loans payable	—	45,635
Building revenue bonds	35,632,311	38,444,867
Total Noncurrent Liabilities	44,617,020	48,182,224
Total Liabilities	59,553,431	63,037,502
Net Position		
Net investment in capital assets	83,952,330	86,442,430
Restricted		
Nonexpendable		
Endowments	30,148,547	30,118,844
Expendable		
Scholarships, tuition and other	27,396,796	25,675,985
Loans	1,081,798	1,294,830
Self-insurance	4,393,381	4,093,862
Capital projects	9,181,559	6,154,109
Other	1,024,801	1,355,972
Unrestricted	32,823,045	24,005,341
Total Net Position	\$ 190,002,257	\$ 179,141,373

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

Assets

	June 30,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 2,702,233	\$ 4,380,138
Investments	174,460,271	163,463,562
Bequests receivable	1,553,938	2,436,473
Pledges receivable	14,520,738	12,680,507
Accrued investment income receivable	28,024	86,071
Beneficial interests in trusts	7,210,929	7,365,580
Real estate, net	2,912,167	2,966,218
Equipment, net	62,391	82,387
Total Assets	\$ 203,450,691	\$ 193,460,936

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 433,485	\$ 566,666
Due to Washburn University of Topeka	9,451,037	237,532
Charitable gift liabilities	389,674	470,658
Funds managed on behalf of Washburn University of Topeka	32,804,150	33,246,839
Funds managed on behalf of Washburn Law School Foundation	7,034,062	6,926,086
Total Liabilities	50,112,408	41,447,781
Net Assets		
Unrestricted	7,312,808	7,739,028
Temporarily restricted	61,003,823	63,898,417
Permanently restricted	85,021,652	80,375,710
Total Net Assets	153,338,283	152,013,155
Total Liabilities And Net Assets	\$ 203,450,691	\$ 193,460,936

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

	Assets	
	June 30,	
	2018	2017
Investments held at Washburn University Foundation	\$ 7,034,062	\$ 6,926,086
Liabilities And Net Assets		
Net Assets		
Unrestricted	\$ 1,395,124	\$ 1,315,331
Temporarily restricted	390,263	404,788
Permanently restricted	5,248,675	5,205,967
Total Liabilities And Net Assets	\$ 7,034,062	\$ 6,926,086

WASHBURN UNIVERSITY OF TOPEKA

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

Page 1 of 2

	For The Years Ended June 30,	
	2018	2017
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$22,739,356 and \$21,463,993 in 2018 and 2017, respectively)	\$ 37,159,003	\$ 33,995,305
Federal grants and contracts	2,025	1,975
State and local grants and contracts	59,826	79,414
Sales and services of educational departments	1,567,045	1,396,694
Auxiliary enterprises		
Residential Living (net of scholarship allowances of \$310,726 and \$165,143 in 2017 and 2016, respectively; revenues are used as security for revenue bonds Series 2010, 2014, 2015A and 2015B)	4,396,851	3,787,528
Memorial Union (revenues are used as security for revenue bonds Series 2010)	3,631,691	3,628,645
Other operating revenues	545,594	884,166
Total Operating Revenues	47,362,035	43,773,727
Operating Expenses		
Educational and general		
Instruction	43,495,244	43,185,974
Research	84,444	166,548
Public service	3,248,528	3,210,244
Academic support	11,248,891	10,878,891
Student services	12,660,193	11,741,282
Institutional support	6,742,688	6,015,912
Operation and maintenance of plant	7,952,594	7,823,533
Depreciation	11,410,681	11,854,528
Financial aid	2,213,549	1,975,523
Auxiliary enterprises		
Residential Living	1,690,372	1,560,519
Memorial Union	3,097,494	3,430,479
Self-insurance claims, net of premiums	7,023,998	8,394,918
Total Operating Expenses	110,868,676	110,238,351
Operating Loss	(63,506,641)	(66,464,624)

WASHBURN UNIVERSITY OF TOPEKA

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

Page 2 of 2

	For The Years Ended June 30,	
	2018	2017
Nonoperating Revenues (Expenses)		
State appropriations	\$ 18,605,346	\$ 17,814,777
Local appropriations	26,192,731	25,828,257
Federal grants and contracts	14,930,203	14,275,488
State and local grants and contracts	919,538	1,203,081
Nongovernmental grants and contracts	(11,392)	96,439
Gifts	5,081,534	2,020,217
Investment income	5,877,613	7,122,471
Interest on indebtedness	(1,590,060)	(1,539,978)
Other nonoperating expenses	(3,329,275)	(2,511,021)
Net Nonoperating Revenues	66,676,238	64,309,731
Income (Loss) Before Other Revenues	3,169,597	(2,154,893)
Capital Grants And Gifts - Non-Federal	7,355,086	242,590
Additions To Permanent Endowments	336,201	347,596
Increase (Decrease) In Net Position	10,860,884	(1,564,707)
Net Position - Beginning Of Year	179,141,373	180,706,080
Net Position - End Of Year	\$ 190,002,257	\$ 179,141,373

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES - WASHBURN UNIVERSITY FOUNDATION For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Support:				
Contributions	\$ 2,201,844	\$ 8,906,199	\$ 3,074,119	\$ 14,182,162
Change in beneficial interest	—	305,847	200,608	506,455
Total support	2,201,844	9,212,046	3,274,727	14,688,617
Revenues:				
Investment income	600,594	5,136,473	101,025	5,838,092
Administration	1,131,606	—	—	1,131,606
Events	115,410	—	—	115,410
Other	263,308	52,450	(19,204)	296,554
Total revenues	2,110,918	5,188,923	81,821	7,381,662
Net assets released from restrictions	16,792,127	(16,792,127)	—	—
Total Support And Revenue	21,104,889	(2,391,158)	3,356,548	22,070,279
Expenses				
Program services	16,168,803	—	—	16,168,803
Management and general	1,705,332	—	—	1,705,332
Fundraising	2,871,016	—	—	2,871,016
Total Expenses	20,745,151	—	—	20,745,151
Excess (Deficit) Of Revenues Over (Under) Expenses	359,738	(2,391,158)	3,356,548	1,325,128
Net Interfund Transfer Related To Market				
Values Of Endowed Funds Below Original				
Donor Contributions	(691,697)	691,697	—	—
Other Fund Transfers, Net	(94,261)	(1,195,133)	1,289,394	—
Change In Net Assets	(426,220)	(2,894,594)	4,645,942	1,325,128
Net Assets - Beginning Of Year	7,739,028	63,898,417	80,375,710	152,013,155
Net Assets - End Of Year	\$ 7,312,808	\$ 61,003,823	\$ 85,021,652	\$ 153,338,283

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Contributions	\$ 109,983	\$ 1,250	\$ 22,691	\$ 133,924
Return on investments	136,966	276,319	17,017	430,302
Nongift and other income	—	3,000	3,000	6,000
Net assets released from restriction	401,743	(401,743)	—	—
Total Support And Revenues	648,692	(121,174)	42,708	570,226
Expenses				
Program expenses				
Scholarships	124,029	—	—	124,029
General support of Law School	88,768	—	—	88,768
Management and general	249,453	—	—	249,453
Total Expenses	462,250	—	—	462,250
Excess (Deficit) Of Revenues Over (Under) Expenses	186,442	(121,174)	42,708	107,976
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	(106,649)	106,649	—	—
Change In Net Assets	79,793	(14,525)	42,708	107,976
Net Assets - Beginning Of Year	1,315,331	404,788	5,205,967	6,926,086
Net Assets - End Of Year	\$ 1,395,124	\$ 390,263	\$ 5,248,675	\$ 7,034,062

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN UNIVERSITY FOUNDATION For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Support:				
Contributions	\$ 2,313,730	\$ 2,372,734	\$ 4,955,328	\$ 9,641,792
Change in beneficial interest	—	(67,217)	289,867	222,650
Total support	2,313,730	2,305,517	5,245,195	9,864,442
Revenues:				
Investment income	1,538,826	11,739,997	166,962	13,445,785
Administration	1,217,961	—	—	1,217,961
Events	108,700	—	—	108,700
Other	426,279	60,560	4,132	490,971
Total revenues	3,291,766	11,800,557	171,094	15,263,417
Net assets released from restrictions	7,814,054	(7,814,054)	—	—
Total Support And Revenue	13,419,550	6,292,020	5,416,289	25,127,859
Expenses				
Program services	6,745,171	—	—	6,745,171
Management and general	1,759,945	—	—	1,759,945
Fundraising	3,356,017	—	—	3,356,017
Total Expenses	11,861,133	—	—	11,861,133
Excess Of Revenues Over Expenses	1,558,417	6,292,020	5,416,289	13,266,726
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions				
	1,840,246	(1,840,246)	—	—
Other Fund Transfers, Net	(55,361)	(2,120,816)	2,176,177	—
Change In Net Assets	3,343,302	2,330,958	7,592,466	13,266,726
Net Assets - Beginning Of Year	4,395,726	61,567,459	72,783,244	138,746,429
Net Assets - End Of Year	\$ 7,739,028	\$ 63,898,417	\$ 80,375,710	\$ 152,013,155

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES - WASHBURN LAW SCHOOL FOUNDATION For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues				
Contributions	\$ 126,774	\$ (132)	\$ 30,948	\$ 157,590
Return on investments	288,280	627,974	17,010	933,264
Nongift and other income	—	3,000	3,000	6,000
Net assets released from restriction	332,855	(332,855)	—	—
Total Support And Revenues	747,909	297,987	50,958	1,096,854
Expenses				
Program expenses				
Scholarships	186,640	—	—	186,640
General support of Law School	11,910	—	—	11,910
Management and general	246,494	—	—	246,494
Total Expenses	445,044	—	—	445,044
Excess Of Revenues Over Expenses	302,865	297,987	50,958	651,810
Net Interfund Transfer Related To Market Values Of Endowed Funds Below Original Donor Contributions	237,647	(237,647)	—	—
Other Interfund Transfers, Net	2,670	(2,670)	—	—
Change In Net Assets	543,182	57,670	50,958	651,810
Net Assets - Beginning Of Year	772,149	347,118	5,155,009	6,274,276
Net Assets - End Of Year	\$ 1,315,331	\$ 404,788	\$ 5,205,967	\$ 6,926,086

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

Page 1 of 2

	For The Years	
	Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Tuition and fees	\$ 36,690,992	\$ 36,827,678
Grants and contracts	61,851	81,389
Auxiliary enterprise charges		
Residential Living	4,410,881	3,764,554
Memorial Union	3,632,154	3,638,234
Sales and services of educational departments	1,567,045	1,396,694
Collection of loans issued to students	118,078	101,352
Other receipts	706,965	359,754
Self-insurance premiums	986,857	943,550
Payments to suppliers	(25,561,206)	(26,788,740)
Payments to employees	(65,123,185)	(65,788,967)
Payments for scholarships and fellowships	(2,213,549)	(1,975,523)
Loans issued to students	(17,468)	14,069
Payments for self-insurance claims and administrative fees	(8,010,854)	(9,338,468)
Net Cash Used In Operating Activities	(52,751,440)	(56,764,424)
Cash Flows From Investing Activities		
Income on amounts held by the Foundation	5,894,595	7,100,577
Cash Flows From Noncapital Financing Activities		
State appropriations	18,605,346	17,814,777
Local appropriations	26,900,574	27,096,913
Gifts and grants for other than capital purposes	14,808,710	16,392,144
Student direct lending receipts	35,005,814	33,265,139
Student direct lending disbursements	(34,389,384)	(34,638,330)
Other payments	(3,326,408)	(2,504,409)
Net Cash Provided By Noncapital Financing Activities	57,604,652	57,426,234
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(6,125,011)	(7,550,011)
Gifts and grants for capital purposes	4,441,181	2,745,763
Principal paid on capital lease	(666,194)	(664,850)
Principal paid on long-term debt	(2,652,556)	(2,525,981)
Interest paid on long-term debt	(1,519,886)	(1,592,545)
Net Cash Used In Capital And Related Financing Activities	(6,522,466)	(9,587,624)
Increase (Decrease) In Cash And Cash Equivalents	4,225,341	(1,825,237)
Cash And Cash Equivalents - Beginning Of Year	25,529,614	27,354,851
Cash And Cash Equivalents - End Of Year	\$ 29,754,955	\$ 25,529,614

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

Page 2 of 2

	Ended June 30,	
	2018	2017
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (63,506,641)	\$ (66,464,624)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,410,681	11,854,528
Provision for uncollectible accounts receivable	627,024	1,483,588
Write-off of Perkins loans	—	14,065
Loss on disposal of fixed assets	127,810	3,116
Changes in assets and liabilities:		
Receivables, net	(994,547)	404,202
Postemployment benefits	(71,790)	(94,135)
Inventories	(99,266)	562,883
Other assets	47,181	165,724
Perkins loans receivable	100,610	101,356
Accounts payable	(370,222)	(5,192,040)
Unearned revenue	(52,434)	403,670
Compensated absences	30,154	(6,757)
Net Cash Used In Operating Activities	\$ (52,751,440)	\$ (56,764,424)
Noncash Investing And Financing Transactions		
Capitalization of interest	\$ —	\$ 129,557
Capital additions included in accounts payable	296,104	507,105

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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 or Washburn Tech. 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 fund raising 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 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, 2018, the University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replacing GASB 45 which was used in previous reporting years. The new statement changes the standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expense related to postemployment benefit plans. Implementation of the new accounting standard did not have a material impact on the University.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The University has elected to early implement this standard and has applied the requirements of this Statement in the current year, prospectively. During fiscal year 2017 interest of \$129,577 was capitalized and included in the historical cost of capital assets.

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. Prepaid bond insurance costs are capitalized and amortized over the life of the bonds using the effective interest method.

Capital Assets

Capital assets include land, buildings, furniture, equipment, vehicles, books and collections, works of art, and construction in progress. Capital assets are defined as assets with an initial individual cost of more than \$100,000 for buildings, improvements and infrastructure, and \$5,000 for all other assets, and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at 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. The University did not capitalize interest on the construction of capital assets for the year ended June 30, 2018. Interest in the amount of \$129,557 was capitalized for the year ended June 30, 2017.

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, 2018, consists of unearned student fees of \$2,180,737 and deferred capital gifts of \$2,673,510. Unearned revenue at June 30, 2017, consists of unearned student fees of \$2,160,918 and deferred capital gifts of \$2,745,763.

Compensated Absences

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

Other Postemployment Benefits and Early Retirement

Certain current and retired Washburn Tech employees are participants in the Topeka Public Schools (TPS) early retirement plan. The University assumed the liability for postemployment benefits of these employees at the time of the affiliation with Washburn Tech. Because the amount of the assumed liability is not available from TPS, the University calculated its liability of \$0 and \$9,928 at June 30, 2018 and 2017, respectively, using the alternative measurement method allowed by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, using demographic information provided by TPS. For purposes of applying GASB No. 45, the early retirement plan is treated as if it is a single-employer plan with fewer than 100 employees.

During the year ended June 30, 2016, the University offered an early retirement incentive to eligible employees. Benefits under this offer are accounted for in compliance with GASB Statement No. 47, *Accounting for Termination Benefits*. As of June 30, 2018, other postemployment benefits totaling \$12,582 were recognized as a current liability.

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 2017 amounts have been reclassified to conform to the 2018 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.

At June 30, 2018 and 2017, the University's cash and cash equivalents consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 24,659,718	\$ 21,130,629
Restricted cash and cash equivalents	<u>5,095,237</u>	<u>4,398,985</u>
	<u>\$ 29,754,955</u>	<u>\$ 25,529,614</u>

Restricted cash and cash equivalents represents amounts which are restricted by statute or contractually for use in capital projects, for payment of self-insured 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, 2018 and 2017, the University's cash and cash equivalents were held in the following institutions:

	<u>2018</u>	<u>2017</u>
Deposits at financial institutions	\$ 11,338,434	\$ 13,062,058
Deposits in State of Kansas		
Municipal Investment Pool	18,416,521	12,467,556
	<u>\$ 29,754,955</u>	<u>\$ 25,529,614</u>

The University had no bank balances exposed to custodial credit risk at June 30, 2018 or 2017.

At June 30, 2018 and 2017, the University had the following short-term investments (which have an original maturity date of one year or less):

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ —	\$ 46,000

Investments

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

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2018 and 2017. The University currently does not maintain a formal investment policy that addresses interest rate or credit risks. However, management believes the University has complied with the State of Kansas' statutes and regulations regarding investment activity.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Endowment investments reported by the University at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Preferred stocks, carried at fair value (cost of \$0 for 2018 and 2017)	\$ 150	\$ 150
Mutual funds, carried at fair value (cost of \$242,928 and \$235,385 for 2018 and 2017, respectively)	<u>310,018</u>	<u>281,000</u>
	<u>\$ 310,168</u>	<u>\$ 281,150</u>

Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's mutual funds are due in less than one year. Credit risk is the risk that the University will not recover its investments due to the ability of the counterparty to fulfill their obligation. As of June 30, 2018, the mutual funds were unrated.

The University also maintains deposits with the State of Kansas Municipal Investment Pool (KMIP) throughout the year. Deposits in the amount of \$18,416,521 and \$12,467,556, measured at net asset value, which approximates fair value, at June 30, 2018 and 2017, 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, which is rated AAA by Standard & Poor's. The pool is managed and overseen by the Pooled Money Investment Board.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

4. Receivable from Washburn University Foundation

Receivables from the Foundation consist of the University's participation in the investments managed by the Foundation. As the University does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributions for scholarships and other activities	\$ 1,467,741	\$ 1,457,675
Held pledges receivable	10,247	58,612
Restricted endowment income	1,487,783	1,562,694
Unreimbursed costs due to the University - Current	9,458,347	237,532
Unreimbursed costs due to the University - Noncurrent	—	5,528,019
University endowment funds managed by the Foundation (see activity below)	29,838,379	30,167,859
	<u>\$ 42,262,497</u>	<u>\$ 39,012,391</u>

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

	<u>2018</u>	<u>2017</u>
Current receivable from Washburn University Foundation	\$ 9,458,347	\$ 237,532
Noncurrent receivable from Washburn University Foundation	32,804,150	38,774,859
	<u>\$ 42,262,497</u>	<u>\$ 39,012,391</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, 2018 and 2017 and for the years then ended is as follows:

	<u>2018</u>	<u>2017</u>
<u>Beginning principal transferred</u>	<u>\$ 23,364,866</u>	<u>\$ 23,364,866</u>
Post-transfer additions, beginning of year	5,048,777	4,541,670
Earnings added to corpus during the year	159,511	159,511
<u>Gifts received during the year</u>	<u>336,201</u>	<u>347,596</u>
End of year, at cost	28,909,355	28,413,643
<u>Cumulative net unrealized gains</u>	<u>929,024</u>	<u>1,754,216</u>
<u>End of year, at fair value</u>	<u>\$ 29,838,379</u>	<u>\$ 30,167,859</u>

5. Interest in the Net Assets of Washburn University Foundation

Contributions for specific capital projects, scholarships, and other activities are being held and invested by the Foundation until the University requests the funds be transferred to the University. The University had a claim on the net assets of the Foundation in the amount of \$33,612,584 and \$28,420,949 as of June 30, 2018 and 2017, respectively.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

6. Capital Assets

The following is a summary of capital assets for the years ended June 30, 2018 and 2017:

	2018				
	Balance - July 1, 2017	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2018
Capital assets, not being depreciated					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	2,689,354	1,121,800	—	—	3,811,154
Construction in progress	3,616,536	3,137,373	—	(4,973,683)	1,780,226
Total capital assets, not being depreciated	7,749,994	4,259,173	—	(4,973,683)	7,035,484
Capital assets, being depreciated					
Buildings, improvements and infrastructure	197,548,410	4,766,468	—	—	202,314,878
Furniture, fixtures and equipment	32,551,795	1,037,446	(265,384)	—	33,323,857
Computers and electronic equipment	19,159,716	1,195,829	(78,757)	—	20,276,788
Books and collections	21,172,253	87,045	—	—	21,259,298
Broadcasting tower, antenna and equipment	8,035,588	5,133	—	—	8,040,721
Vehicles	1,965,404	43,703	(35,888)	—	1,973,219
Total capital assets, being depreciated	280,433,166	7,135,624	(380,029)	—	287,188,761
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(86,103,395)	(7,808,271)	—	—	(93,911,666)
Furniture, fixtures and equipment	(22,213,571)	(2,177,057)	137,574	—	(24,253,054)
Computers and electronic equipment	(17,411,527)	(896,990)	78,757	—	(18,229,760)
Books and collections	(20,397,089)	(268,048)	—	—	(20,665,137)
Broadcasting tower, antenna and equipment	(6,818,493)	(103,448)	—	—	(6,921,941)
Vehicles	(1,102,402)	(156,866)	35,888	—	(1,223,380)
Total accumulated depreciation	(154,046,477)	(11,410,680)	252,219	—	(165,204,938)
Total capital assets being depreciated, net	126,386,689	(4,275,056)	(127,810)	—	121,983,823
Total capital assets	\$ 134,136,683	\$ (15,883)	\$ (127,810)	\$ (4,973,683)	\$ 129,019,307

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2017				
	Balance - July 1, 2016	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2017
Capital assets, not being depreciated					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	2,689,354	—	—	—	2,689,354
Construction in progress	30,807,428	6,772,498	—	(33,963,390)	3,616,536
Total capital assets, not being depreciated	34,940,886	6,772,498	—	(33,963,390)	7,749,994
Capital assets, being depreciated					
Buildings, improvements and infrastructure	166,181,476	31,366,934	—	—	197,548,410
Furniture, fixtures and equipment	29,479,342	3,112,145	(39,692)	—	32,551,795
Computers and electronic equipment	18,596,022	655,435	(91,741)	—	19,159,716
Books and collections	21,114,382	57,871	—	—	21,172,253
Broadcasting tower, antenna and equipment	8,015,903	19,685	—	—	8,035,588
Vehicles	1,814,905	166,079	(15,580)	—	1,965,404
Total capital assets, being depreciated	245,202,030	35,378,149	(147,013)	—	280,433,166
Less accumulated depreciation for					
Buildings, improvements and infrastructure	(78,076,340)	(8,027,055)	—	—	(86,103,395)
Furniture, fixtures and equipment	(20,031,592)	(2,221,669)	39,690	—	(22,213,571)
Computers and electronic equipment	(16,470,541)	(1,032,145)	91,159	—	(17,411,527)
Books and collections	(20,085,851)	(311,238)	—	—	(20,397,089)
Broadcasting tower, antenna and equipment	(6,711,124)	(107,369)	—	—	(6,818,493)
Vehicles	(959,814)	(155,052)	12,464	—	(1,102,402)
Total accumulated depreciation	(142,335,262)	(11,854,528)	143,313	—	(154,046,477)
Total capital assets being depreciated, net	102,866,768	23,523,621	(3,700)	—	126,386,689
Total capital assets	\$ 137,807,654	\$ 30,296,119	\$ (3,700)	\$ (33,963,390)	\$ 134,136,683

The University had approximately \$4,468,000 and \$5,457,000 at June 30, 2018 and 2017, 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, 2018 and 2017:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion	Noncurrent Portion
Bonds, capital leases and loans						
Building revenue bonds	\$ 40,080,000	\$ —	\$ 2,570,000	\$ 37,510,000	\$ 2,730,000	\$ 34,780,000
Capital lease	7,651,863	—	620,559	7,031,304	634,576	6,396,728
Loans payable	91,270	—	45,635	45,635	45,635	—
Total bonds, capital leases and loans	47,823,133	—	3,236,194	44,586,939	3,410,211	41,176,728
Other noncurrent liabilities						
Unamortized bond premium	934,867	—	82,556	852,311	—	852,311
Compensated absences	1,713,853	30,154	—	1,744,007	1,447,606	296,401
Postemployment benefits	84,372	—	71,790	12,582	12,582	—
Unearned revenue	4,906,681	2,388,244	2,440,678	4,854,247	2,562,667	2,291,580
Total other noncurrent liabilities	7,639,773	2,418,398	2,595,024	7,463,147	4,022,855	3,440,292
Total noncurrent liabilities	\$ 55,462,906	\$ 2,418,398	\$ 5,831,218	\$ 52,050,086	\$ 7,433,066	\$ 44,617,020

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion	Noncurrent Portion
Bonds, capital leases and loans						
Building revenue bonds	\$ 42,520,000	\$ —	\$ 2,440,000	\$ 40,080,000	\$ 2,570,000	\$ 37,510,000
Capital lease	8,258,712	—	606,849	7,651,863	620,558	7,031,305
Loans payable	149,271	—	58,001	91,270	45,635	45,635
Total bonds, capital leases and loans	50,927,983	—	3,104,850	47,823,133	3,236,193	44,586,940
Other noncurrent liabilities						
Unamortized bond premium	1,020,848	—	85,981	934,867	—	934,867
Compensated absences	1,720,610	—	6,757	1,713,853	1,494,114	219,739
Postemployment benefits	178,507	—	94,135	84,372	84,372	—
Unearned revenue	1,757,248	4,906,681	1,757,248	4,906,681	2,466,003	2,440,678
Total other noncurrent liabilities	4,677,213	4,906,681	1,944,121	7,639,773	4,044,489	3,595,284
Total noncurrent liabilities	\$ 55,605,196	\$ 4,906,681	\$ 5,048,971	\$ 55,462,906	\$ 7,280,682	\$ 48,182,224

Building Revenue Bonds

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 \$220,000 to \$1,340,000, and mature between July 1, 2018 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Revenue Bonds – Series 2015B

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 \$310,000 to \$360,000 and mature between July 1, 2018 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.

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 \$965,000.

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, 2018 and 2017 was \$52,797 and \$57,271, 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, 2018 and July 1, 2023. The 2010 Series bonds bear interest at rates ranging from 3.00% to 3.70% payable semi-annually.

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Capital Lease

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 \$2,305,785 and \$1,755,470 at June 30, 2018 and 2017, respectively.

Loans

Digital Television Equipment

During fiscal year 2009, the University received a loan from the state of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose.

This loan is payable over 10 years, with payments due each July 31, beginning in 2009. The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The interest rate at June 30, 2018 and 2017 was 1.92% and 0.90%, respectively. The balance of the loan was \$45,635 and \$91,270 on June 30, 2018 and 2017, respectively.

The annual requirements to repay all bonds, capital leases and loans outstanding at June 30, 2018, including interest payments, are as follows:

<u>For The Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,410,211	\$ 1,512,516	\$ 4,922,727
2020	2,978,912	1,409,974	4,388,886
2021	3,138,572	1,319,493	4,458,065
2022	3,323,562	1,217,202	4,540,764
2023	2,668,891	1,106,078	3,774,969
2024 - 2028	11,831,791	4,442,019	16,273,810
2029 - 2033	7,000,000	2,857,334	9,857,334
2034 - 2038	6,375,000	1,509,030	7,884,030
2039 - 2041	3,860,000	313,000	4,173,000
	<u>\$ 44,586,939</u>	<u>\$ 15,686,646</u>	<u>\$ 60,273,585</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% 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, 2018 and 2017 was approximately \$4,552,000 and \$4,363,000, 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-Insurance Fund

The University has established a self-insurance fund for health insurance. The health insurance program began in October 2002 for all University employees. The health insurance fund is funded with contributions made during each payroll period from the University, its employees, and retirees. The rates are based on past historical costs for individual and family coverage and expected future claims. The plan is administered by a third party, which accumulates claims. During 2018 and 2017, 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, 2018 and 2017 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The changes in health care claims payable for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Claims payable - beginning of year	\$ 400,805	\$ 565,514
Incurred claims	6,744,745	8,305,072
Claim payments	<u>(6,712,603)</u>	<u>(8,469,781)</u>
Claims payable - end of year	<u>\$ 432,947</u>	<u>\$ 400,805</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 (DOE) 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 DOE.

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 DOE to calculate any required amounts to be returned to the DOE. Going forward, each year the DOE will request the University to return the DOE's interest in the cash restricted for the Perkins Loan program held by the University at each June 30th. The request by the DOE will be made subsequent to the submission of the FISAP, which is due by October 1st of each year following the most recent June 30th 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 2018-2019 fiscal year totaled approximately \$52,000 at June 30, 2018, 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, 2019 have not been accrued at June 30, 2018 and will be recognized in expense in the year ended June 30, 2019 when funds are returned.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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, 2018 and 2017.

Condensed Combined Statements Of Net Position June 30, 2018

	University	Washburn Tech	Eliminations	Combined
Assets				
Current assets	\$ 43,619,298	\$ 3,951,985	\$ —	\$ 47,571,283
Noncurrent assets	193,343,285	8,268,847	—	201,612,132
Total Assets	236,962,583	12,220,832	—	249,183,415
Deferred Outflows Of Resources	372,273	—	—	372,273
Liabilities				
Current liabilities	14,101,504	834,907	—	14,936,411
Noncurrent liabilities	44,463,214	153,806	—	44,617,020
Total Liabilities	58,564,718	988,713	—	59,553,431
Net Position				
Net investment in capital assets	76,188,615	7,763,715	—	83,952,330
Restricted - nonexpendable	30,148,547	—	—	30,148,547
Restricted - expendable	43,078,335	—	—	43,078,335
Unrestricted	29,354,641	3,468,404	—	32,823,045
Total Net Position	\$ 178,770,138	\$ 11,232,119	\$ —	\$ 190,002,257

Condensed Combined Statements Of Net Position June 30, 2017

	University	Washburn Tech	Eliminations	Combined
Assets				
Current assets	\$ 32,620,546	\$ 2,224,931	\$ —	\$ 34,845,477
Noncurrent assets	197,818,372	9,072,579	—	206,890,951
Total Assets	230,438,918	11,297,510	—	241,736,428
Deferred Outflows Of Resources	442,447	—	—	442,447
Liabilities				
Current liabilities	14,176,978	678,300	—	14,855,278
Noncurrent liabilities	48,035,687	146,537	—	48,182,224
Total Liabilities	62,212,665	824,837	—	63,037,502
Net Position				
Net investment in capital assets	77,886,662	8,555,768	—	86,442,430
Restricted - nonexpendable	30,118,844	—	—	30,118,844
Restricted - expendable	38,184,832	389,926	—	38,574,758
Unrestricted	22,478,362	1,526,979	—	24,005,341
Total Net Position	\$ 168,668,700	\$ 10,472,673	\$ —	\$ 179,141,373

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, 2018

	University	Washburn Tech	Eliminations	Combined
Operating Revenues				
Tuition and fees	\$ 33,999,851	\$ 3,159,152	\$ —	\$ 37,159,003
Auxiliary enterprises	8,028,542	—	—	8,028,542
Other operating revenues	1,812,063	362,427	—	2,174,490
Total Operating Revenues	43,840,456	3,521,579	—	47,362,035
Operating Expenses				
Education and general	74,895,138	11,524,301	(986,857)	85,432,582
Depreciation	10,006,490	1,404,191	—	11,410,681
Financial aid	1,787,023	426,526	—	2,213,549
Auxiliary enterprises	4,787,866	—	—	4,787,866
Self-insurance claims, net of premiums	6,037,141	—	986,857	7,023,998
Total Operating Expenses	97,513,658	13,355,018	—	110,868,676
Operating Loss	(53,673,202)	(9,833,439)	—	(63,506,641)
Nonoperating Revenues (Expenses)				
State and local appropriations	37,658,702	7,139,375	—	44,798,077
Grants and contracts	12,827,973	3,010,376	—	15,838,349
Gifts	4,905,979	175,555	—	5,081,534
Investment income	5,843,381	34,232	—	5,877,613
Interest on indebtedness	(1,586,936)	(3,124)	—	(1,590,060)
Other nonoperating expenses	(3,299,163)	(30,112)	—	(3,329,275)
Total Nonoperating Revenues	56,349,936	10,326,302	—	66,676,238
Income Before Other Revenues	2,676,734	492,863	—	3,169,597
Capital Grants And Gifts - Non-Federal	7,088,503	266,583	—	7,355,086
Additions To Permanent Endowments	336,201	—	—	336,201
Increase In Net Position	10,101,438	759,446	—	10,860,884
Net Position - Beginning Of Year	168,668,700	10,472,673	—	179,141,373
Net Position - End Of Year	\$ 178,770,138	\$ 11,232,119	\$ —	\$ 190,002,257

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, 2017

	University	Washburn Tech	Eliminations	Combined
Operating Revenues				
Tuition and fees	\$ 31,401,178	\$ 2,594,127	\$ —	\$ 33,995,305
Auxiliary enterprises	7,416,173	—	—	7,416,173
Other operating revenues	2,106,193	256,056	—	2,362,249
Total Operating Revenues	40,923,544	2,850,183	—	43,773,727
Operating Expenses				
Education and general	72,754,972	11,210,962	(943,550)	83,022,384
Depreciation	10,375,515	1,479,013	—	11,854,528
Financial aid	1,512,892	462,631	—	1,975,523
Auxiliary enterprises	4,990,998	—	—	4,990,998
Self-insurance claims, net of premiums	7,451,368	—	943,550	8,394,918
Total Operating Expenses	97,085,745	13,152,606	—	110,238,351
Operating Loss	(56,162,201)	(10,302,423)	—	(66,464,624)
Nonoperating Revenues (Expenses)				
State and local appropriations	37,297,652	6,345,382	—	43,643,034
Grants and contracts	12,817,417	2,757,591	—	15,575,008
Gifts	1,891,451	128,766	—	2,020,217
Investment income	7,111,058	11,413	—	7,122,471
Interest on indebtedness	(1,536,167)	(3,811)	—	(1,539,978)
Other nonoperating expenses	(2,601,595)	90,574	—	(2,511,021)
Total Nonoperating Revenues	54,979,816	9,329,915	—	64,309,731
Loss Before Other Revenues	(1,182,385)	(972,508)	—	(2,154,893)
Capital Grants And Gifts - Non-Federal	242,590	—	—	242,590
Additions To Permanent Endowments	347,596	—	—	347,596
Decrease In Net Position	(592,199)	(972,508)	—	(1,564,707)
Net Position - Beginning Of Year	169,260,899	11,445,181	—	180,706,080
Net Position - End Of Year	\$ 168,668,700	\$ 10,472,673	\$ —	\$ 179,141,373

12. Subsequent Events

On October 17, 2018, the University issued \$10,155,000 in Revenue Bonds, Series 2018 (Series 2018), with interest rates of 3.00% to 4.00%. The Series 2018 bonds are due in annual principal payments ranging from \$370,000 to \$680,000, and mature between July 1, 2019 and July 1, 2038. Interest payments begin on July 1, 2019. 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.

13. Washburn University Foundation - Accounting Policies and Disclosures

Basis of Presentation

The Foundation uses the accrual method of accounting. The Foundation's financial statements present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Fair Value Measurement

Assets recorded at fair value on the 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.

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 placements are presented at cost.

The Foundation has a policy of pooling assets for investment purposes, unless donor restrictions prohibit such pooling. Income received from pooled assets of the Foundation’s endowment fund is allocated to various funds calculated on the market value of the entire pool. A portion of the investment return is allocated to the funds in accordance with the Foundation’s spending policy.

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

Pledges Receivable

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Pledges receivable include the following unconditional promises to give at June 30:

	2018	2017
Unrestricted	\$ 311,244	\$ 345,599
Temporarily restricted	14,169,868	11,157,248
Permanently restricted	4,581,047	5,325,273
Agency	28,327	100,110
Pledges receivable - end of year	\$ 19,090,486	\$ 16,928,230

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

	2018	2017
Receivable in less than one year	\$ 4,358,000	\$ 4,208,396
Receivable in one to five years	5,673,631	3,713,500
Thereafter	9,058,855	9,006,334
	19,090,486	16,928,230
Less: allowance for uncollectible pledges	178,768	201,834
Less: unamortized discount	4,390,980	4,045,889
Pledges receivable - end of year	\$ 14,520,738	\$ 12,680,507

Pledges receivable are discounted at 3.4% and 2.4% in 2018 and 2017, except for one long-term pledge (20 years) in the amount of approximately \$4,400,000, which is discounted at a rate of 4.4%.

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.

	2018	2017
Pledges receivable, beginning	\$ 12,680,507	\$ 14,319,086
New pledges	7,570,564	3,622,036
Pledge payments	(5,194,164)	(4,434,929)
Pledges written off	(117,865)	(137,688)
Reclassifications and change in value	(418,304)	(687,998)
Pledges receivable, ending	\$ 14,520,738	\$ 12,680,507

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Investments

Investments are reflected in the financial statements at fair value or cost in accordance with applicable accounting standards. Investments are as follows at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investments carried at fair value:		
U.S. equity	\$ 5,887,744	\$ 6,314,681
International equity	6,891,542	6,705,882
Fixed income	4,717,705	4,776,395
Life insurance policies	1,378,471	1,268,090
Other	236,141	341,770
Total	19,111,603	19,406,818
Investments at Net Asset Value (NAV)	136,066,565	123,024,724
Total investments carried at fair value	\$ 155,178,168	\$ 142,431,542

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The following table is a summary of investments carried at fair value by fair value hierarchy level. Level 3 investments include hedge funds and other investments.

	2018			Total
	Level 1	Level 2	Level 3	
Investments	\$ 12,779,286	\$ 6,096,176	\$ 236,141	\$ 19,111,603
Investments at NAV				136,066,565
Total investments carried at fair value				155,178,168
Private equity investments				13,792,734
Private real estate investments				5,489,369
Total investments carried at cost				19,282,103
Total investments				\$ 174,460,271

	2017			Total
	Level 1	Level 2	Level 3	
Investments	\$ 13,020,563	\$ 6,044,485	\$ 341,770	\$ 19,406,818
Investments at NAV				123,024,724
Total investments carried at fair value				142,431,542
Private equity investments				15,379,377
Private real estate investments				5,652,643
Total investments carried at cost				21,032,020
Total investments				\$ 163,463,562

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

	2018	2017
Beginning fair value	\$ 341,770	\$ 367,781
Sales	(18,050)	(27,050)
Net change in unrealized (depreciation) appreciation	(87,579)	1,039
Ending fair value	\$ 236,141	\$ 341,770

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

Description	Fair Value June 30, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 29,777,487	None	Monthly	1-62 days
International equity (b)	32,841,713	None	Semi-monthly, monthly, quarterly	1-45 days
Global equity (c)	8,909,168	None	Monthly	6 days
Alternatives (d)	34,524,024	None	Semi-monthly, monthly, quarterly, annually, 24 months	2-95 days
Public real estate (e)	10,219,460	None	Monthly	16-30 days
Fixed income (f)	<u>19,794,713</u>	None	Daily	2 days
	<u>\$ 136,066,565</u>			
Description	Fair Value June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 27,339,567	None	Monthly, quarterly	1-45 days
International equity (b)	31,022,752	None	Semi-monthly, monthly, quarterly	20-45 days
Global equity (c)	8,725,040	None	Monthly	6 days
Alternatives (d)	31,116,655	None	Semi-monthly, monthly, quarterly, annually, 24 months	2-95 days
Public real estate (e)	8,898,195	None	Monthly	16-30 days
Fixed income (f)	<u>15,922,515</u>	None	Daily	2 days
	<u>\$ 123,024,724</u>			

- (a) This category includes investments in an offshore fund, limited partnership, 3c7, and a commingled account with strategies including U.S. Small Company Value, Opportunistic, and 130/30.
- (b) This category includes investments in an offshore fund, commingled accounts, and limited partnerships with strategies including Global ex U.S. Diverse, Global ex U.S. Growth, Global ex U.S. Small Company Equity, Emerging Markets Equity, and Asia Pacific ex Japan.
- (c) This category includes an investment in a commingled account with a Global Value strategy.
- (d) This category includes investments in offshore funds and 3c7's with strategies including Long/Short Equity Fund of Funds; Multi-Strategy, Event Driven; Multi-Strategy, Fixed Income Arbitrage; Multi-Strategy, Credit; Global Macro, CTA; 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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

- (e) This category includes investments in a commingled account 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.

The following shows the gross unrealized losses and fair value of the Foundation's private placement investments with unrealized losses, aggregated by investment category and length of time that individual investments have been in a continuous unrealized loss position at June 30, 2018:

	1 - 9 Years	
	Fair Value	Unrealized Losses
Private equity	\$ 5,552,276	\$ (1,852,183)
Venture capital	1,158,491	(547,118)
Natural resources	4,842,303	(336,905)

The Foundation also has private placement investments with gross unrealized gains of approximately \$1,300,000 and fair value of approximately \$6,300,000.

Fair value financial information is provided by the private placement investees. Because of the inherent uncertainty of valuation of these private placement investments, the estimated fair values disclosed above may differ significantly from values that will eventually be realized upon an actual liquidation.

The Foundation has unfunded commitments on private placement investment funds of approximately \$11,640,000 at June 30, 2018.

Amounts included in net investment income in the Statements of Activities for the years ended June 30 were:

	2018	2017
Dividends and interest	\$ 2,753,091	\$ 3,136,254
Net realized (loss) gain	(227,912)	249,029
Change in net unrealized gain	5,533,325	10,590,807
Investment expense	(757,103)	(530,305)
Permanent impairment on private placement investments	(1,463,309)	—
	\$ 5,838,092	\$ 13,445,785

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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>2018</u>	<u>2017</u>
Perpetual trusts	\$ 5,267,432	\$ 5,093,648
Charitable remainder trusts	153,232	144,264
Charitable lead trust	1,790,265	2,127,668
	<u>\$ 7,210,929</u>	<u>\$ 7,365,580</u>

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

	<u>2018</u>	<u>2017</u>
Beginning fair value	\$ 7,365,580	\$ 8,205,333
Distributions to Foundation	(563,183)	(577,621)
Termination of trust interest and transfer	—	(877,825)
New trust	—	100,000
Change in value in beneficial interest	408,532	515,693
Ending fair value	<u>\$ 7,210,929</u>	<u>\$ 7,365,580</u>

Net Assets and Agency Funds

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

	<u>2018</u>					
	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Foundation Total Net Assets</u>	<u>Agency Funds</u>	<u>Total</u>
Scholarship	\$ 51,838,991	\$ 18,718,689	\$ —	\$ 70,557,680	\$ 26,301,653	\$ 96,859,333
Student support	907,894	438,964	—	1,346,858	84,095	1,430,953
Program support	11,921,366	12,185,843	—	24,107,209	3,243,926	27,351,135
Faculty support	3,092,454	1,816,677	—	4,909,131	227,470	5,136,601
Professorship/Chairs	10,622,257	2,062,560	—	12,684,817	4,336,168	17,020,985
Capital	1,528,326	17,424,840	—	18,953,166	121,714	19,074,880
Area of greatest need	5,110,364	8,356,250	7,312,808	20,779,422	5,523,186	26,302,608
	<u>\$ 85,021,652</u>	<u>\$ 61,003,823</u>	<u>\$ 7,312,808</u>	<u>\$ 153,338,283</u>	<u>\$ 39,838,212</u>	<u>\$ 193,176,495</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2017					
	Permanently Restricted	Temporarily Restricted	Unrestricted	Foundation Total Net Assets	Agency Funds	Total
Scholarship	\$ 48,559,716	\$ 19,434,167	\$ —	\$ 67,993,883	\$ 26,592,094	\$ 94,585,977
Student support	815,903	402,655	—	1,218,558	82,644	1,301,202
Program support	10,296,603	13,694,298	—	23,990,901	3,331,826	27,322,727
Faculty support	3,788,088	2,014,134	—	5,802,222	231,613	6,033,835
Professorship/Chairs	9,612,233	1,825,900	—	11,438,133	4,429,939	15,868,072
Capital	1,521,158	18,027,485	—	19,548,643	119,825	19,668,468
Area of greatest need	5,782,009	8,499,778	7,739,028	22,020,815	5,384,984	27,405,799
	\$ 80,375,710	\$ 63,898,417	\$ 7,739,028	\$ 152,013,155	\$ 40,172,925	\$ 192,186,080

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

- (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

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.

Endowment net asset composition by type of fund:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (6,280,786)	\$ 21,922,954	\$ 73,233,960	\$ 88,876,128

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

Changes in endowment net assets for the year ended June 30, 2018:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (5,961,132)	\$ 22,250,588	\$ 66,700,258	\$ 82,989,714
Investment return:				
Investment income	42,793	1,434,088	101,025	1,577,906
Net depreciation	(683,419)	3,631,419	—	2,948,000
Total investment return	(640,626)	5,065,507	101,025	4,525,906
Contributions	—	—	6,432,677	6,432,677
Appropriation of endowment assets for expenditure	(91,675)	(4,980,494)	—	(5,072,169)
Other changes:				
Release from time restrictior	412,647	(412,647)	—	—
Endowment net assets, end of year	\$ (6,280,786)	\$ 21,922,954	\$ 73,233,960	\$ 88,876,128

Endowment net asset composition by type of fund:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (5,961,132)	\$ 22,250,588	\$ 66,700,258	\$ 82,989,714

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Changes in endowment net assets for the year ended June 30, 2017:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (7,573,230)	\$ 19,267,899	\$ 63,718,712	\$ 75,413,381
Investment return:				
Investment income	43,822	1,772,988	170,407	1,987,217
Net appreciation	1,864,116	6,170,850	—	8,034,966
Total investment return	1,907,938	7,943,838	170,407	10,022,183
Contributions	—	—	2,811,139	2,811,139
Appropriation of endowment assets for expenditure	(713,287)	(4,543,702)	—	(5,256,989)
Other changes:				
Release from time restrictior	417,447	(417,447)	—	—
Endowment net assets, end of year	\$ (5,961,132)	\$ 22,250,588	\$ 66,700,258	\$ 82,989,714

Reconciliation of endowment net assets to permanently restricted net assets:

	2018	2017
Permanently restricted endowment net assets	\$ 73,233,960	\$ 66,700,258
Permanently restricted pledges receivable	4,697,949	6,422,091
Permanently restricted beneficial interests in trusts	7,089,743	7,253,361
	\$ 85,021,652	\$ 80,375,710

Related Party

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

As of June 30, 2018 and 2017, the Foundation owes the University \$9,451,037 and \$237,532 for amounts related to outstanding billings on private gift funds and reimbursement of operating expenses.

During 2018 and 2017, the Foundation provided direct support in the amount of \$15,546,662 and \$6,061,728 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 2018 and 2017.

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

	<u>2018</u>	<u>2017</u>
Fair market value of agency accounts - beginning of year	\$ 40,172,925	\$ 37,523,129
Contributions	987,234	844,081
Non-gift income and transfers	24,928	1,120
Net investment income	2,293,291	5,286,246
Distributions	(2,508,560)	(2,263,690)
Expense allocation for administration	(1,131,606)	(1,217,961)
Fair market value of agency accounts - end of year	<u>\$ 39,838,212</u>	<u>\$ 40,172,925</u>

14. Washburn Law School Foundation - Accounting Policies and Disclosures

Basis of Presentation

The Law Foundation uses the accrual method of accounting. The Law Foundation's financial statements present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Investments Held at Washburn University Foundation

The Foundation has an agreement with Washburn University Foundation (the University Foundation) whereby the University Foundation provides administration, fundraising, accounting, and investment services to the 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.

Amounts included in return on investments for the years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 173,308	\$ 201,238
Realized (loss) gain	(106,643)	18,685
Unrealized loss	363,637	713,341
	<u>\$ 430,302</u>	<u>\$ 933,264</u>

Net Assets

The Law Foundation's temporarily restricted net assets are restricted to expenditures related to scholarships and support of the Law School. Accordingly, net assets were released from restrictions during the year by incurring expenses satisfying scholarship and Law School support.

Permanently restricted net assets consist of endowment funds.

WASHBURN UNIVERSITY OF TOPEKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Page 1 of 5
For the Year Ended June 30, 2018

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Student Financial Aid Cluster					
Washburn University					
Federal Direct Student Loans	U.S. Department of Education		84.268	\$ 31,950,246	\$ —
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education		84.007	254,990	—
Federal Work-Study Program	U.S. Department of Education		84.033	281,127	—
Federal Perkins Loan Program	U.S. Department of Education		84.038	753,770	—
Federal Pell Grant Program	U.S. Department of Education		84.063	7,988,105	—
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education		84.379	6,518	—
Washburn Institute Of Technology					
Federal Direct Student Loans	U.S. Department of Education		84.268	1,881,109	—
Federal Work-Study Program	U.S. Department of Education		84.033	15,394	—
Federal Pell Grant Program	U.S. Department of Education		84.063	1,476,618	—
Total Student Financial Aid Cluster				<u>44,607,877</u>	<u>—</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 2 of 5

For the Year Ended June 30, 2018

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Other U.S. Department Of Education					
Washburn University					
Perkins IV Program Improvement	U.S. Department of Education/ Kansas Board of Regents	V048A170016	84.048	\$ 57,016	\$ —
Perkins IV Non-Traditional Participation	U.S. Department of Education/ Kansas Board of Regents	V048A170016	84.048A	11,209	—
Washburn Institute Of Technology					
Perkins IV Program Improvement	U.S. Department of Education/ Kansas Board of Regents	V048A170016	84.048	272,645	—
Perkins IV Non-Traditional Participation	U.S. Department of Education/ Kansas Board of Regents	V048A170016	84.048A	11,889	—
Perkins Integrating Adult Education and CTE/ Perkins Portion of Funding	U.S. Department of Education/ Kansas Board of Regents	V048A170016	84.048A	1,453	—
Perkins Reserve - Electrical Technology	U.S. Department of Education/ Kansas Board of Regents	V048A160016 & V048A170016	84.048A	51,405	—
Perkins Reserve - CTE Month	U.S. Department of Education/ Kansas Board of Regents	V048A150016	84.048A	100	—
Subtotal 84.048 and 84.048A				405,717	—
Perkins Integrating Adult Education and CTE/ Adult Education Portion of Funding	U.S. Department of Education/ Kansas Board of Regents	V002A170016	84.002A	4,388	—
Improving Teacher Quality	U.S. Department of Education/ Kansas Board of Regents	S367B160016	84.367B	25,614	—
Improved Reentry Education	U.S. Department of Education	V191D150012-17	84.191D	283,747	—
Adult Education and Family Literacy	U.S. Department of Education/ Kansas Board of Regents	V002A170016	84.002A	181,776	50,637
Total Other U.S. Department Of Education				901,242	50,637
Total U.S. Department Of Education				45,509,119	50,637

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 3 of 5

For the Year Ended June 30, 2018

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Washburn University					
PROLoG - Promoting Rule of Law in Georgia	USAID passed through East-West Mgt Institute	AID-114-A-15-00004	98.001	\$ 36,941	\$ —
Washburn University					
Violence Against Women	U.S. Department of Justice	2015-WA-AX-0011	16.525	128,155	—
National Institute of Justice Research	U.S. Department of Justice/ University of Nevada, Reno	2015-DN-BX-K409	16.560	512	—
Federal Victims of Crime Act	U.S. Department of Justice/ Kansas Governor's Grant Program	2015-VA-GX-0027	16.575	16,408	—
Total U.S. Department Of Justice				145,075	—
Research And Development Cluster					
Kansas Biomedical Research Infrastructure Network Project	U.S. Department of Health and Human Services / University of Kansas Medical Center	5P20GM103418-17	93.859	74,783	—
Terrestrial Impact of Nearby Supernovae	NASA	NNX14AK22G	43.001	32,910	23,541
Total Research And Development Cluster				107,693	23,541

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

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For the Year Ended June 30, 2018

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	CFDA Number	Amount	Passed Through To Subrecipients
Washburn University					
KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	\$ 1,702,326	\$ 899,043
SAS KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	54,836	—
Washburn Institute Of Technology					
KanTRAIN DOLETA Grant	U.S. Department of Labor	TC26477-14-60-A-20	17.282	522,589	—
Subtotal 17.282				<u>2,279,751</u>	<u>899,043</u>
Lawrence Gardner High School MOU	U.S. Department of Labor/ Kansas Department of Commerce	FY17-WIT-001	17.258 & 17.259 & 17.278	70,950	—
Total U.S. Department Of Labor				<u>2,350,701</u>	<u>899,043</u>
Washburn University					
HRSA Advanced Nursing Education Workforce	U.S. Department of Health and Human Services	6 T94HP308830201	93.247	624,281	44,568
Nursing HRSA Traineeship	U.S. Department of Health and Human Services	6 A10HP25112-04-01	93.358	455	—
Total U.S. Department of Health and Human Services				<u>624,736</u>	<u>44,568</u>
Washburn University					
Small Business Development Center	Small Business Administration/ Fort Hays State University	SBAHQ-15-B-0001/0001	59.037	230,454	—
Washburn Institute Of Technology					
Manufacturing Extension Partnership	U.S. Department of Commerce/ Mid America Manufacturing Technology Center	70NANB17H009	11.611	22,469	—
Total				<u>\$ 49,027,188</u>	<u>\$ 1,017,789</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 5 of 5

For the Year Ended June 30, 2018

Of the federal expenditures presented in this schedule, Washburn University of Topeka and Washburn Institute of Technology provided federal awards to subrecipients as follows:

<u>Program</u>	<u>Subrecipient</u>	<u>CFDA Number</u>	<u>Amount</u>
Terrestrial Impact of Nearby Supernovae	University of Kansas	43.001	\$ 10,602
Terrestrial Impact of Nearby Supernovae	MidAmerica Nazarene University	43.001	12,939
KanTRAIN DOLETA Grant	Flint Hills Technical College	17.282	205,020
KanTRAIN DOLETA Grant	Garden City Community College	17.282	440,405
KanTRAIN DOLETA Grant	Wichita Area Technical College	17.282	253,618
HRSA Advanced Nursing Education Workforce	Holton Health Systems	93.247	44,568

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2018

1. This schedule includes the federal awards activity of Washburn University of Topeka and of Washburn Institute of Technology and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
2. The federal Family Education Loan Program-Lenders and federal Perkins Loan Program listed in the schedule of expenditures of federal awards is administered directly by Washburn University of Topeka or Washburn Institute of Technology, and balances and transactions relating to these programs are included in the Washburn University of Topeka's basic financial statements (which include Washburn Institute of Technology as a blended component unit). Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding related to the Perkins Loan Program was \$753,770 as no new loans were issued during the year ended June 30, 2018.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program and, accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the University under this program at June 30, 2018.

3. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

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

Board of Regents
Washburn University of Topeka
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washburn University of Topeka (the University) and its discretely presented component units as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 19, 2018.

Our report includes a reference to other auditors who audited the financial statements of Washburn University Foundation and Washburn Law School Foundation, discretely presented component units of the University, as described in our report on the University's financial statements. The financial statements of Washburn University Foundation and Washburn Law School Foundation were not audited in accordance with *Governmental Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Washburn University Foundation or Washburn Law School Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance And Other Matters

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

Purpose Of This Report

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

RubinBrown LLP

December 19, 2018



**Independent Auditors' Report On
Compliance For Each Major Federal
Program And A Report On Internal
Control Over Compliance Required by
The Uniform Guidance**

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Report On Compliance For Each Major Federal Program

We have audited Washburn University of Topeka's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion On Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2018.

Report On Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RubinBrown LLP

December 19, 2018

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Noncompliance considered material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Type of auditor report issued on compliance for major federal programs: Unmodified

The audit disclosed findings required to be reported in accordance with 2 CFR200.516(a)? Yes No

Identification of major programs:

Cluster/Program	CFDA Number
-----------------	-------------

Student Financial Aid Cluster:	
Federal Direct Student Loans	84.268
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Teacher Education Assistance for College and Higher Education (TEACH)	84.379

KanTRAIN DOLETA Grant	17.282
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HRSA Advanced Nursing Education Workforce	93.247
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8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee? Yes No

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
For The Year Ended June 30, 2018

Section II - Financial Statement Findings

None

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
For The Year Ended June 30, 2018

Section III - Federal Award Findings And Questioned Costs

None



Vice President for Administration and Treasurer
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2018

Finding No.	CFDA No.	Program	Condition	Current Year Status
2017-001	N/A	N/A	Significant non-standard contracts will be reviewed by the Associate Vice President and Director of Finance to evaluate the impact on the Financial Statements.	Corrective action taken

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 1 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET**

General Fund

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 52,440,254	\$ 50,680,217	\$ (1,760,037)
Income from endowment fund	880,936	575,739	(305,197)
Sales tax and other taxes	18,567,818	18,567,819	1
State aid	11,424,655	11,424,883	228
Other income	3,263,033	4,299,138	1,036,105
Use of reserves	2,673,193	—	(2,673,193)
Transfer from smoothing fund	—	—	—
Auxiliary enterprises	8,739,662	8,424,983	(314,679)
Total Revenues	<u>97,989,551</u>	<u>93,972,779</u>	<u>(4,016,772)</u>
Expenditures			
Instruction	43,490,181	40,132,117	(3,358,064)
Public service, academic support and research	14,649,859	14,345,797	(304,062)
Student services	9,779,729	9,705,599	(74,130)
Institutional support	6,263,024	6,277,291	14,267
Maintenance of plant	8,470,913	7,143,794	(1,327,119)
Scholarships and fellowships	3,793,916	3,341,997	(451,919)
Other expenses and transfers	2,802,267	2,394,174	(408,093)
Contingency	4,000,000	—	(4,000,000)
Auxiliary enterprises	10,139,662	7,847,673	(2,291,989)
Total Expenditures	<u>103,389,551</u>	<u>91,188,443</u>	<u>12,201,108</u>
Change In Net Position	<u>\$ (5,400,000)</u>	2,784,336	<u>\$ 8,184,336</u>
Net Position - Beginning Of Year		<u>14,353,802</u>	
Net Position - End Of Year		<u>\$ 17,138,139</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 2 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Debt Retirement and Construction Fund
For the Year Ended June 30, 2018**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 3,811,339	\$ 3,657,024	\$ (154,315)
Transfer from other funds	500,000	—	(500,000)
Transfer from other funds - debt service	4,404,947	4,462,046	57,099
Total Revenues	<u>8,716,286</u>	<u>8,119,070</u>	<u>(597,216)</u>
Expenditures			
Bond principal	2,570,000	2,570,000	—
Lease principal	609,343	620,558	(11,215)
Interest and commissions on bonds	1,595,413	1,592,289	3,124
Transfers for construction, repairs or equipping of new or existing buildings	<u>3,500,000</u>	<u>3,398,774</u>	<u>101,226</u>
Total Expenditures	<u>8,274,756</u>	<u>8,181,621</u>	<u>93,135</u>
Change In Net Position	<u>\$ 441,530</u>	(62,551)	<u>\$ (504,081)</u>
Net Position - Beginning Of Year		<u>96,024</u>	
Net Position - End Of Year		<u>\$ 33,473</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

Employee Benefits Contribution Fund

For the Year Ended June 30, 2018

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ —	\$ —	\$ —
Expenditures			
Payment to the general fund	—	—	—
Change In Net Position	<u>\$ —</u>	—	<u>\$ —</u>
Net Position - Beginning Of Year		—	
Net Position - End Of Year		<u>\$ —</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 4 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Tort Claim Liability Fund
For the Year Ended June 30, 2018**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem property and other taxes	\$ 370,795	\$ 356,014	\$ (14,781)
Investment income	5,000	—	(5,000)
Total Revenues	<u>375,795</u>	<u>356,014</u>	<u>(19,781)</u>
Expenditures			
Insurance premium	355,000	267,003	87,997
Litigation expense	250,000	—	250,000
Miscellaneous expense	75,000	158,668	(83,668)
Contingency	350,000	—	350,000
Total Expenditures	<u>1,030,000</u>	<u>425,671</u>	<u>604,329</u>
Change In Net Position	<u>\$ (654,205)</u>	<u>(69,657)</u>	<u>\$ 584,549</u>
Net Position - Beginning Of Year		<u>1,094,457</u>	
Net Position - End Of Year		<u>\$ 1,024,800</u>	

WASHBURN UNIVERSITY OF TOPEKA

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

**Sales Tax Smoothing Fund
For the Year Ended June 30, 2018**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax and other taxes	\$ 2,000,000	\$ 2,721,875	\$ 721,875
Expenditures			
Transfer to building construction fund	1,300,000		1,300,000
Transfer to general fund	500,000	—	500,000
Transfer to capital improvement fund	500,000	—	500,000
Transfer to debt retirement & construction fund	500,000	—	500,000
Contingency	1,500,000	—	1,500,000
Total Expenditures	4,300,000	—	4,300,000
Change In Net Position	<u>\$ (2,300,000)</u>	2,721,875	<u>\$ 5,021,875</u>
Net Position - Beginning Of Year		<u>8,924,308</u>	
Net Position - End Of Year		<u>\$ 11,646,183</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 6 - REVENUES, EXPENDITURES AND
COMPARISON WITH BUDGET
Capital Improvement Fund
For the Year Ended June 30, 2018**

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ —
Interest income	—	—	—
Transfer from smoothing fund	500,000	—	(500,000)
Transfer from general fund	250,000	—	(250,000)
Total Revenues	<u>1,640,000</u>	<u>890,000</u>	<u>(750,000)</u>
Expenditures			
Capital expenses	250,000	—	250,000
Non-mandatory transfers	890,000	890,000	—
Contingency	500,000	—	500,000
Total Expenditures	<u>1,640,000</u>	<u>890,000</u>	<u>750,000</u>
Change In Net Position	<u>\$ —</u>	—	<u>\$ —</u>
Net Position - Beginning Of Year		<u>392,134</u>	
Net Position - End Of Year		<u>\$ 392,134</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 7 - REVENUES, EXPENDITURES AND COMPARISON WITH BUDGET

Washburn Institute of Technology
For the Year Ended June 30, 2018

	Original And Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tuition and fees	\$ 3,622,370	\$ 4,396,302	\$ 773,932
Vocational state aid	6,274,592	6,991,764	717,172
Vocational capital outlay	164,138	174,584	10,446
Interest on investments	8,000	31,627	23,627
Other sales and services	130,000	388,652	258,652
Use of reserves	750,000	—	(750,000)
Total Revenues	<u>10,949,100</u>	<u>11,982,929</u>	<u>1,033,830</u>
Expenditures			
Instruction	6,396,100	6,714,575	(318,475)
Academic support	695,726	707,361	(11,635)
Student services	1,039,474	1,094,429	(54,955)
Institutional support	389,636	383,744	5,892
Maintenance of plant	1,331,881	1,233,489	98,392
Other expenses and transfers	1,096,283	325,851	770,432
Contingency	500,000	—	500,000
Total Expenditures	<u>11,449,100</u>	<u>10,459,449</u>	<u>989,652</u>
Change In Net Position	<u>\$ (500,000)</u>	1,523,481	<u>\$ 2,023,482</u>
Net Position - Beginning Of Year		<u>1,936,345</u>	
Net Position - End Of Year		<u>\$ 3,459,826</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 8 - CASH RECEIPTS AND EXPENDITURES -

2010 BOND ISSUE

For the Year Ended June 30, 2018

and Since Project Inception

	For The Year Ended June 30, 2018	Project Inception To June 30, 2018
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 13,500,000
Transfer for debt service	215,255	2,065,960
Original issue premium on bonds	—	16,170
Total Revenues And Other Additions	<u>215,255</u>	<u>15,582,130</u>
Expenditures And Other Deductions		
Bond issuance costs	—	202,380
Bond insurance	—	95,210
Amount paid to refund Series 2001A, 2001B and 2003 bonds	—	13,210,000
Interest expense paid	215,255	2,065,960
Total Expenditures And Other Deductions	<u>215,255</u>	<u>15,573,550</u>
Cash Receipts Over Expenditures	—	<u>\$ 8,580</u>
Cash And Investments - Beginning Of Year	<u>8,580</u>	
Cash And Investments - End Of Year	<u>\$ 8,580</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 9 - CASH RECEIPTS AND EXPENDITURES -

2014 BOND ISSUE

For the Year Ended June 30, 2018

and Since Project Inception

	For The Year Ended June 30, 2018	Project Inception To June 30, 2018
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 9,655,000
Transfers for debt service	217,131	977,476
Cash provided to refund Series 2004 Bonds	—	63,625
Transfer from Series 2004 Bonds	—	2,231
Original issue premium on bonds	—	342,800
Total Revenues And Other Additions	<u>217,131</u>	<u>11,041,132</u>
Expenditures And Other Deductions		
Bond issuance costs	—	122,668
Amount paid to refund Series 2004 bonds	—	9,935,000
Interest expense paid	217,131	977,476
Total Expenditures And Other Deductions	<u>217,131</u>	<u>11,035,144</u>
Cash Receipts Over Expenditures	—	<u>\$ 5,988</u>
Cash And Investments - Beginning Of Year	<u>5,988</u>	
Cash And Investments - End Of Year	<u>\$ 5,988</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 10 - CASH RECEIPTS AND EXPENDITURES -

2015 SERIES A BOND ISSUE For the Year Ended June 30, 2018 and Since Project Inception

	For The Year Ended June 30, 2018	Project Inception To June 30, 2018
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 20,105,000
Transfers for debt service	844,618	2,562,047
Original issue premium on bonds	—	803,210
Total Revenues And Other Additions	<u>844,618</u>	<u>23,470,257</u>
Expenditures And Other Deductions		
Bond issuance costs	—	239,969
Transfer to project fund	—	19,800,000
Interest capitalized to bond principal	—	865,811
Interest expense paid	844,618	2,562,047
Total Expenditures And Other Deductions	<u>844,618</u>	<u>23,467,827</u>
Cash Receipts Over Expenditures	—	<u>\$ 2,430</u>
Cash And Investments - Beginning Of Year	<u>2,430</u>	
Cash And Investments - End Of Year	<u>\$ 2,430</u>	

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE 11 - CASH RECEIPTS AND EXPENDITURES -
2015 SERIES B BOND ISSUE
For the Year Ended June 30, 2018
and Since Project Inception**

	For The Year Ended June 30, 2018	Project Inception To June 30, 2018
Revenues And Other Additions		
Bond proceeds	\$ —	\$ 7,070,000
Transfer for debt service	145,549	452,306
Total Revenues And Other Additions	<u>145,549</u>	<u>7,522,306</u>
Expenditures And Other Deductions		
Bond issuance costs	—	68,983
Transfer to project fund	—	7,000,000
Interest expense paid	145,549	452,306
Total Expenditures And Other Deductions	<u>145,549</u>	<u>7,521,289</u>
Cash Receipts Over Expenditures	—	<u>\$ 1,017</u>
Cash And Investments - Beginning Of Year	<u>1,017</u>	
Cash And Investments - End Of Year	<u>\$ 1,017</u>	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 12 - OPERATIONS OF THE LIVING LEARNING CENTER For the Year Ended June 30, 2018

Revenues

Room rental	\$ 1,720,761
Less: vacancy loss	<u>(387,935)</u>
Net income from room rental	1,332,826
Receipts from coin machines, forfeited initial pay, guests, etc.	<u>76,473</u>
Total Revenues	<u><u>1,409,299</u></u>

Expenditures

Salaries, director and resident assistants	96,179
Salaries, custodial	85,109
Benefits	13,637
Scholarships	63,779
Insurance	21,068
Utilities, telephone and cable	260,518
Repairs and operating supplies	17,436
Contracted services	<u>14,381</u>
Total Expenditures	<u><u>572,106</u></u>

Net Operating Income 837,193

Debt Service - Transfer To Debt Retirement And Construction Fund (536,375)

Excess Of Cash Receipts Over Expenditures \$ 300,818