
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
WASHBURN UNIVERSITY OF TOPEKA
FINANCIAL STATEMENTS
JUNE 30, 2022

Contents

	Page
Independent Auditors' Report	1 - 3
Management's Discussion And Analysis	4 - 13
 Financial Statements	
Statements Of Net Position	14
Statements Of Revenues, Expenses And Changes In Net Position	15
Statements Of Cash Flows	16
Notes To Financial Statements	17 - 26
 Supplemental Schedule	
Schedule Of Functional Expenses	27

Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Opinions

We have audited the financial statements of KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka (KTWU), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise KTWU's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KTWU as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of KTWU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis Of Matter

As discussed in Note 1 to the financial statements, KTWU implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KTWU's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 KTWU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KTWU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Management's Discussion And Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 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 KTWU's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RubinBrown LLP

January 13, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance and activities of KTWU Television (KTWU or "the Station") during the year ended June 30, 2022 and comparative data for the fiscal years ended June 30, 2021 and 2020. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes and for this discussion and analysis.

Management is also responsible for maintaining the Station's system of internal control, which includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes the Station's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Reporting Entity

KTWU is Kansas' first non-commercial educational television station, providing over 50 years of service to varying communities. The Station's viewing area serves 39 counties in northeast Kansas, reaching citizens from the Nebraska border and portions of Missouri. KTWU broadcasts three streams of television content 24 hours a day, providing a diversified service of digital programming for children, adult learners, educators and general audience viewing. KTWU serves over 152,000 households in the 141st designated market area according to Nielsen's station index and is licensed to Washburn University of Topeka (Washburn or "the University").

Using The Financial Statements

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

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

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

Financial Highlights For The Fiscal Year Ended June 30, 2022

KTWU ended the year with total assets of \$4,993,702 and liabilities of \$137,548 compared to \$4,320,509 and \$202,009, respectively, at June 30, 2021. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$3,863,978 at June 30, 2022, a decrease of \$254,522 from last year's net position of \$4,118,500.

Operating revenues were \$281,815 and operating expenses were \$3,715,955 resulting in a loss from operations of \$3,434,140. GASB Statement No. 34 requires the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB) to be classified as nonoperating revenues. As a result, the Station reports a net operating loss. This net operating loss does not present a complete picture of the Station's operations.

Such a complete picture of operations requires consideration of nonoperating revenues. For the year ended June 30, 2022, nonoperating revenues were \$3,171,443, which, when combined with the loss from operations, resulted in an overall decrease of \$262,697 in net position, compared to an increase of \$567,379 for the year ended June 30, 2021.

Statement Of Net Position

The Statement of Net Position is the Station's balance sheet, presenting the financial position of KTWU at the end of the fiscal year. It includes all assets, liabilities, deferred outflows and inflows of resources, and net position of the Station. Net position is one indicator of the current financial condition of KTWU, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. The primary exception is capital assets, which are stated at historical cost, net of accumulated depreciation.

KTWU TELEVISION
A Public Telecommunications Entity
Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

A condensed comparison of the Station's assets, liabilities and net position as of June 30, 2022, 2021 and 2020 is presented below:

Condensed Statements of Net Position
As of June 30, 2022, 2021 and 2020

	2022	2021	2020
Assets:			
Current assets	\$ 1,417,767	\$ 1,479,484	\$ 926,592
Other assets	1,673,192	1,662,891	776,822
Capital assets, net	1,902,743	2,033,978	2,093,328
Total Assets	4,993,702	5,176,353	3,796,742
Current Liabilities	137,548	202,009	245,621
Deferred Inflows of Resources	992,176	847,669	—
Net Position:			
Net investment in capital assets	1,902,743	2,033,978	2,093,328
Restricted - nonexpendable	616,398	735,346	607,164
Restricted - expendable	45,145	41,974	42,052
Unrestricted	1,299,692	1,315,377	808,577
Total Net Position	\$ 3,863,978	\$ 4,126,675	\$ 3,551,121

Assets

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

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$1,417,767, \$1,363,203, and \$926,592 at June 30, 2022, 2021 and 2020, respectively. Total current assets at June 30, 2022, 2021 and 2020 covered current liabilities 10.3, 6.8, and 3.8 times, respectively, an indicator of good liquidity. Capital assets, which represented 38.1%, 47.1%, and 55.1% of total assets at June 30, 2022, 2021 and 2020, respectively, represent the assets' historical cost net of accumulated depreciation.

Liabilities

Significant liabilities include accounts payable, accrued payroll, compensated absences, and unearned revenue.

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

Deferred Inflows Of Resources

Deferred inflows relate to lease receivables for tower space.

Net Position

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

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

Expendable restricted net position is subject to externally-imposed restrictions governing its use. This category of net position includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by donors and/or external parties that have placed time or purpose restrictions on the use of the assets. This category of net position includes funds held for the purchase of digital television equipment, grants received and funds for special projects.

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

Statement Of Revenues, Expenses And Changes In Net Position

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

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund KTWU's activities for the years ended June 30, 2022, 2021 and 2020.

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2022, 2021 and 2020

	2022	2021	2020
Operating revenues	\$ 281,815	\$ 280,009	\$ 385,969
Operating expenses	3,715,955	3,657,523	3,835,348
	(3,434,140)	(3,377,514)	(3,449,379)
Nonoperating revenues and expenses	3,171,443	3,953,068	3,468,578
Change in net position	(262,697)	575,554	19,199
Net position at beginning of year	4,126,675	3,551,121	3,531,922
Net position at end of year	\$ 3,863,978	\$ 4,126,675	\$ 3,551,121

Fiscal Year 2022 Compared To Fiscal Year 2021

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of \$262,697 during the year ended June 30, 2022, compared to an increase in net position of \$575,554 during fiscal year 2021. Some highlights of the information in this statement follows.

Revenues

Revenues totaled \$3,453,258 and \$4,233,077 for the years ending June 30, 2022 and 2021, respectively. Although the pandemic contributed to revenues being down in some categories during fiscal year 2021, KTWU received \$489,593 in American Rescue Plan Grant funding from the CPB, which helped offset that. Overall, KTWU's revenues decreased \$779,819 from fiscal year 2021 to 2022.

The community service grant and the interconnection grant received from CPB, memberships, and contributions comprised 63.3% of KTWU's revenue for the year ended June 30, 2022, compared to 59.5% for the year ended June 30, 2021. State and local funds accounted for 13.2% of revenue for the year ended June 30, 2022, compared to 15.1% for the year ended June 30, 2021.

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

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

Expenses

Operating expenses totaled \$3,715,955 and \$3,657,523 for the years ending June 30, 2022 and 2021, respectively. The \$58,432 increase is attributable primarily to an increase in underwriting and grant solicitation expenses and broadcasting expenses.

Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 56.1% of KTWU's expenses for the year ended June 30, 2022, compared to 54.5% for the year ended June 30, 2021. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 43.9% of expenses for the year ended June 30, 2022 compared to 45.8% for the year ended June 30, 2021.

Fiscal Year 2021 Compared To Fiscal Year 2020

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of \$575,554 during the year ended June 30, 2021, compared to an increase in net position of \$19,199 during fiscal year 2020. Some highlights of the information in this statement follows.

Revenues

Revenues totaled \$4,233,077 and \$3,854,547 the years ending June 30, 2021 and 2020, respectively. Although the pandemic contributed to revenues being down in some categories during fiscal year 2020, KTWU received \$260,205 in CARES Act stabilization funding from the CPB, which helped offset that. Overall, KTWU's revenues increased \$378,530 from fiscal year 2020 to 2021.

The community service grant and the interconnection grant received from CPB, memberships, and contributions comprised 59.5% of KTWU's revenue for the year ended June 30, 2021, compared to 58.8% for the year ended June 30, 2020. State and local funds accounted for 15.1% of revenue for the year ended June 30, 2021, compared to 14.3% for the year ended June 30, 2020.

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

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

Expenses

Operating expenses totaled \$3,657,523 and \$3,835,348 for the years ending June 30, 2021 and 2020, respectively. The \$177,825 decrease is attributable primarily to a decrease in management and general expenses, fundraising and membership development expenses and broadcasting expenses.

Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 54.5% of KTWU's expenses for the year ended June 30, 2021, compared to 53.4% for the year ended June 30, 2020. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 45.5% of expenses for the year ended June 30, 2021 compared to 46.6% for the year ended June 30, 2020.

Statement Of Cash Flows

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

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

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

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

Condensed Statement of Cash Flows For the Years Ended June 30, 2022, 2021 and 2020

	2022	2021	2020
Cash provided by (used in):			
Operating activities	\$ (2,828,141)	\$ (2,858,085)	\$ (2,571,403)
Noncapital financing activities	2,645,657	3,196,780	2,803,996
Capital and related financing activities	12,371	(17,982)	(75,831)
Investing activities	131,619	116,390	157,148
Net change in cash	(38,494)	437,103	313,910
Cash - Beginning of Year	1,224,840	787,737	473,827
Cash - End of Year	\$ 1,186,346	\$ 1,224,840	\$ 787,737

Fiscal Year 2022 Compared To Fiscal Year 2021

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

The cash position of KTWU decreased by \$38,494 and increased by \$437,103 for the fiscal years ended June 30, 2022 and 2021, respectively.

Fiscal Year 2021 Compared To Fiscal Year 2020

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

The cash position of KTWU increased by \$437,103 and \$313,910 for the fiscal years ended June 30, 2021 and 2020, respectively.

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

Capital Assets

KTWU had an decrease in capital assets during fiscal year 2022 and 2021 of \$131,235 and \$59,350, respectively. At June 30, 2022, KTWU had \$1.90 million invested in capital assets, net of accumulated depreciation, compared to \$2.03 million and \$2.09 million at June 30, 2021 and 2020, respectively. Depreciation charges totaled \$253,939 for the fiscal year ended June 30, 2022, compared to \$221,891 and \$204,892 for the fiscal years ended June 30, 2021 and 2020, respectively. Details of these assets are as follows:

Condensed Statement of Capital Assets, Net of Depreciation
As of June 30, 2022, 2021 and 2020

	2022	2021	2020
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	1,532,642	1,635,491	1,738,340
Transmitter and antenna	27,607	71,078	114,549
Transmission and broadcast equipment	288,661	232,044	147,811
Office equipment	26,657	68,189	65,452
	\$ 1,902,743	\$ 2,033,978	\$ 2,093,328

There were no major capital additions during the fiscal years ended June 30, 2022, 2021 and 2020.

Economic Outlook

The current economy, new technology, and changes in consumer preferences for accessing and consuming educational, informational and entertainment content continually affect KTWU. Accordingly, management makes strategic changes each year to ensure the financial health of the Station. KTWU enjoys great community support, a strong base of volunteers and a well-trained staff of professionals. The Station's viewing audience, which has been steady over recent years, is now seeing increases in younger, cable cord-cutters watching on a regular basis.

KTWU continues to be entrepreneurial in its efforts to increase revenue through membership drives, corporate underwriting and its annual auction. In recent years, KTWU has increased its receipt of competitive grants and has begun to distribute more national programming to other PBS stations as a way to create new revenue. Additionally, KTWU institutes strategic cost-cutting methods with each budget cycle.

In the past few years, new entrants into the content creation and delivery landscape have begun to impact the broadcast industry. Mergers, acquisitions and innovative ways of delivery of original content by larger conglomerates have impacted the competitive landscape.

KTWU TELEVISION

A Public Telecommunications Entity

Operated by Washburn University of Topeka

Management's Discussion and Analysis (*Continued*)

KTWU is not aware of any currently known facts, decisions or conditions expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

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

Requests For Information

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

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

STATEMENTS OF NET POSITION

	June 30,	
	2022	2021 Restated
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,186,346	\$ 1,224,840
Accounts receivable	62,919	86,715
Lease receivable	127,652	116,281
Prepaid expenses	38,750	49,548
Prepaid lease	2,100	2,100
Total Current Assets	1,417,767	1,479,484
Noncurrent Assets:		
Receivable from Washburn University Foundation	785,104	913,703
Lease receivable	880,563	739,563
Prepaid lease and extended lease	7,525	9,625
Capital assets, net	1,902,743	2,033,978
Total Noncurrent Assets	3,575,935	3,696,869
Total Assets	\$ 4,993,702	\$ 5,176,353

Liabilities And Net Position

Current Liabilities:		
Accounts payable	\$ 6,653	\$ 40,790
Unearned revenue	795	29,792
Accrued payroll	34,363	32,638
Compensated absences	95,737	98,789
Total Current Liabilities	137,548	202,009
Deferred Inflows of Resources:		
Deferred inflows - leases	992,176	847,669
Total Deferred Inflows of Resources	992,176	847,669
Net Position:		
Net investment in capital assets	1,902,743	2,033,978
Restricted for		
Nonexpendable		
Endowments (gift value)	616,398	735,346
Expendable		
Other	45,145	41,974
Unrestricted	1,299,692	1,315,377
Total Net Position	\$ 3,863,978	\$ 4,126,675

KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS ENTITY
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STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2022	2021 Restated
Operating Revenues:		
Auction and special fundraising events	\$ 82,968	\$ 73,465
Tower lease payments	161,515	165,457
Production assistance	36,440	30,858
Miscellaneous operating revenues	892	10,229
Total Operating Revenues	281,815	280,009
Operating Expenses:		
Support services		
Management and general	814,458	849,541
Fundraising and membership development	349,658	498,685
Underwriting and grant solicitation	211,631	93,128
Program services		
Programming and production	1,250,735	1,227,540
Broadcasting	710,275	597,816
Program information and promotion	125,259	168,922
Depreciation	253,939	221,891
Total Operating Expenses	3,715,955	3,657,523
Operating Loss	(3,434,140)	(3,377,514)
Nonoperating Revenues:		
Community services and interconnection grants from Corporation for Public Broadcasting	908,896	1,364,759
State and local funds	454,723	636,850
Federal grants	—	32,370
Other grants	10,928	—
Foundations, business and industry and other contributions	416,580	295,658
Memberships and subscriptions	861,017	852,546
Donated facilities and administrative support from Washburn University of Topeka	497,486	488,913
Investment income	21,813	281,972
Total Nonoperating Revenues	3,171,443	3,953,068
Change in Net Position	(262,697)	575,554
Net Position - Beginning of Year	4,126,675	3,551,121
Net Position - End of Year	\$ 3,863,978	\$ 4,126,675

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

STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2022	2021 Restated
Cash Flows from Operating Activities		
Other operating revenues	\$ 158,957	\$ 166,882
Payments to suppliers	(1,388,133)	(1,407,574)
Payments to employees	(1,598,965)	(1,617,393)
Net Cash Used in Operating Activities	(2,828,141)	(2,858,085)
Cash Flows Provided by Investing Activities		
Interest and dividends received	131,619	116,390
Cash Flows from Noncapital Financing Activities		
CPB funds, state and local funds	1,363,619	2,033,979
Underwriting and other revenues	427,508	295,658
Memberships and subscriptions	854,530	867,143
Net Cash Provided by Noncapital Financing Activities	2,645,657	3,196,780
Cash Flows from Capital and Related Financing Activities		
Interest received from leases	18,795	16,976
Rents received from leases	116,280	127,583
Purchases of capital assets & related activities	(122,704)	(162,541)
Net Cash Provided by (Used in) Capital and Related Financing Activities	12,371	(17,982)
Change in Cash and Cash Equivalents	(38,494)	437,103
Cash and Cash Equivalents - Beginning of Year	1,224,840	787,737
Cash and Cash Equivalents - End of Year	\$ 1,186,346	\$ 1,224,840
Reconciliation of Operating Loss to Net Cash		
From Operating Activities		
Operating loss	\$ (3,434,140)	\$ (3,377,514)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	253,939	221,891
Donated facilities and administrative support from Washburn University of Topeka	497,486	488,911
Changes in assets and liabilities:		
Accounts receivable	30,283	21,056
Prepaid expenses and other assets	12,898	(33,059)
Accounts payable	(34,137)	(46,874)
Accrued payroll and compensated absences	(1,329)	1,686
Unearned revenue	(28,997)	1,577
Deferred inflow from lease	(124,144)	(135,759)
Net Cash Used in Operating Activities	\$ (2,828,141)	\$ (2,858,085)
Noncash Investing and Financing Activities		
Change in fair value of investments	\$ (128,599)	\$ 148,606

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2022 And 2021

1. Nature Of Operations And Summary Of Significant Accounting Policies

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

Reporting Entity

KTWU is licensed to Washburn University of Topeka (the University) and operated as a separate department of the University. All amounts contained in this report are included in the audited financial statements of the University, as of and for the years ended June 30, 2022 and 2021.

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

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

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

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

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

Notes to Financial Statements (*Continued*)

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

Functional Allocation Of Expenses

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

Cash And Cash Equivalents

KTWU participates in a pooled cash account with the University.

Fair Value Reporting

KTWU categorizes its fair value measurements applicable for reporting its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. At June 30, 2022 and 2021, KTWU held no investments that required such presentation.

Accounts Receivable

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

Restricted Investments Managed By Washburn University Foundation

Washburn University Foundation (the Foundation), an affiliate of Washburn University of Topeka, holds investments designated for KTWU. The funds are included in the pooled investments of the Foundation. Fair value is determined by multiplying the fair value per share by the number of shares owned by KTWU as determined by the Foundation. These amounts are presented as Receivable from Washburn University Foundation.

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

Notes to Financial Statements (*Continued*)

Capital Assets

Capital assets, including projects in progress, are recorded at historical cost. Donated capital assets are recorded at estimated 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.

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

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

Lease Arrangements

Effective July 1, 2020, KTWU implemented GASB Statement No. 87, *Leases* (GASB 87), which requires retroactive application. The implementation of GASB 87 had no net position impact at July 1, 2020.

For arrangements in which KTWU is the lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflows of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

For arrangements where KTWU is a lessee, a lease liability and a right to use (RTU) intangible asset are recognized at the commencement of the lease term. RTU assets represent KTWU's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. RTU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. KTWU had no arrangements where KTWU was the lessee at June 30, 2022 or 2021.

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

Notes to Financial Statements (*Continued*)

At July 1, 2020, for arrangements where KTWU is the lessor, KTWU's lease receivables and deferred inflows related to leases were \$983,426. During fiscal year 2021, KTWU also recognized \$127,583 of lease receivable payments and \$135,759 of amortization of deferred inflows, which resulted in lease receivables of \$855,844 and deferred inflows of \$847,669 at June 30, 2021. Net position was increased by \$8,175 at June 30, 2021.

KTWU used the average interest rate from the most recent bond issuance of the University to calculate the present value of lease payments when the rate implicit in the lease is not known. KTWU includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain KTWU will exercise the option. KTWU has elected to combine lease and non-lease components for all lease contracts and also has not recognized RTU assets and lease liabilities for leases with terms of 12 months or less.

Compensated Absences

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

Net Position

KTWU's net position is classified as follows:

Net Investment in Capital Assets

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

Restricted Net Position - Nonexpendable

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

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

Notes to Financial Statements (*Continued*)

Restricted Net Position - Expendable

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

Unrestricted Net Position

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

Retirement Plan

The University provides retirement benefits for all of KTWU's employees who meet eligibility requirements, through individual annuities with TIAA-CREF. Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employees. Total expenses paid by the University for KTWU employees amounted to \$107,775 and \$110,844 for the years ended June 30, 2022 and 2021, respectively.

In-kind Contributions

Donated facilities from Washburn University of Topeka consist of office and studio space, together with related occupancy costs, and are recorded in revenue and expense on the Statements of Revenues, Expenses and Changes in Net Position in the amount of \$497,486 and \$488,913 for the years ended June 30, 2022 and 2021, respectively. Occupancy and administrative costs are based on estimated fair values.

Income Taxes

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

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

Notes to Financial Statements (*Continued*)

Use Of Estimates

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

2. Cash And Investments

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

Deposits

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

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

At June 30, 2022 and 2021, KTWU's cash and cash equivalents were held in financial institutions. KTWU had no bank balances exposed to custodial credit risk at June 30, 2022 and 2021.

Investments

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

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KTWU had no investments exposed to custodial credit risk at June 30, 2022 or 2021. KTWU currently does not maintain a formal investment policy that addresses credit or interest rate risk. However, management believes KTWU has complied with the State of Kansas' statutes and regulations regarding investment activity.

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

Notes to Financial Statements (*Continued*)

3. Receivable From Washburn University Foundation

Receivable from Washburn University Foundation consists of KTWU's participation in investments managed by the Foundation in the amount of \$785,104 and \$913,703 at June 30, 2022 and 2021, respectively. As KTWU does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of the Foundation's investments is recorded as a receivable from the Foundation.

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022 follows:

	2022				Balance - June 30, 2022
	Balance - July 1, 2021	Additions	Projects in Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,967,883	—	—	—	3,967,883
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,935,589	122,704	—	(13,840)	6,044,453
Furniture and equipment	773,139	—	—	—	773,139
Total capital assets, being depreciated	11,612,882	122,704	—	(13,840)	11,721,746
Less accumulated depreciation for					
Buildings, tower and improvements	(2,332,392)	(102,849)	—	—	(2,435,241)
Transmitters and antenna	(865,193)	(43,471)	—	—	(908,664)
Transmitters and broadcast equipment	(5,703,545)	(66,087)	—	13,840	(5,755,792)
Furniture and equipment	(704,950)	(41,532)	—	—	(746,482)
Total accumulated depreciation	(9,606,080)	(253,939)	—	13,840	(9,846,179)
Total capital assets being depreciated, net	2,006,802	(131,235)	—	—	1,875,567
Total capital assets	\$ 2,033,978	\$ (131,235)	\$ —	\$ —	\$ 1,902,743

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

Notes to Financial Statements (*Continued*)

A summary of changes in capital assets for the year ended June 30, 2021 follows:

	2021				Balance - June 30, 2021
	Balance - July 1, 2020	Additions	Projects in Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Total capital assets, not being depreciated	27,176	—	—	—	27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,967,883	—	—	—	3,967,883
Transmitters and antenna Transmitters and broadcast equipment	936,271	—	—	—	936,271
Furniture and equipment	5,805,883	129,706	—	—	5,935,589
Total capital assets, being depreciated	740,304	32,835	—	—	773,139
Total capital assets, being depreciated	11,450,341	162,541	—	—	11,612,882
Less accumulated depreciation for					
Buildings, tower and improvements	(2,229,543)	(102,849)	—	—	(2,332,392)
Transmitters and antenna Transmitters and broadcast equipment	(821,722)	(43,471)	—	—	(865,193)
Furniture and equipment	(5,658,072)	(45,473)	—	—	(5,703,545)
Total accumulated depreciation	(674,852)	(30,098)	—	—	(704,950)
Total accumulated depreciation	(9,384,189)	(221,891)	—	—	(9,606,080)
Total capital assets being depreciated, net	2,066,152	(59,350)	—	—	2,006,802
Total capital assets	\$ 2,093,328	\$ (59,350)	\$ —	\$ —	\$ 2,033,978

5. Leases

KTWU rents certain space on its broadcast towers to outside parties. The lease contracts expire at various dates through 2032, assuming that all renewal options are exercised by the lessee. During 2022 and 2021, KTWU received \$135,075 and \$144,559, respectively, in lease related payments which represents the total amount of inflows of resources recognized in the reporting period from leases.

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

Notes to Financial Statements (*Continued*)

6. Significant Estimates And Concentrations

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

Major Funding

During fiscal years 2022 and 2021, KTWU received approximately 26.3% and 32.3%, respectively, of its operating and nonoperating revenues from the Corporation for Public Broadcasting.

Risk Management

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

Supplementary Information

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

SCHEDULE OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2022 And 2021

	Support Services			Program Services			2022	2021
	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Programming and Production	Broadcasting	Program Information and Promotion		
Salaries and employee benefits	\$ 217,100	\$ 141,368	\$ 211,394	\$ 547,052	\$ 403,187	\$ 77,536	\$ 1,597,637	\$ 1,619,078
Donated facilities and administrative support	467,006	—	—	—	30,480	—	497,486	488,913
Professional services	10,772	12,631	—	32,363	31,346	3,483	90,596	88,675
Telephone and fax	12,046	—	—	1,694	1,930	—	15,670	14,732
Postage and freight	435	15,714	1	370	3	219	16,742	25,262
Printing and copier	120	291	29	—	—	1,064	1,503	2,197
Materials and supplies	11,462	41,604	93	8,393	15,759	7,337	84,648	109,001
Dues	42,457	—	—	53,194	3,716	22,720	122,087	111,936
Program expenses	—	—	—	566,989	—	60	567,049	559,615
Equipment and equipment rent	4,707	1,396	—	14,497	36,629	—	57,228	73,091
Equipment repair and maintenance	—	—	—	(10,998)	27,481	—	16,483	35,577
Computer equipment and software	—	—	—	747	(23,971)	1,061	(22,163)	41,352
Vehicle expense	2,664	8	—	134	—	—	2,806	2,858
Credit card expense	—	15,063	—	—	—	—	15,063	14,482
Utilities, trash hauling and insurance	12,692	—	—	529	101,407	—	114,627	66,971
Buildings and grounds	18,355	30	—	—	32,453	27	50,865	19,933
Travel	1,724	47,077	115	5,069	—	188	54,173	1,352
Marketing and advertising	784	64,185	—	6,523	—	11,550	83,041	127,438
Other expenses	12,135	10,291	—	24,179	49,856	15	96,475	33,169
Total Support And Program Services - 2022	\$ 814,458	\$ 349,658	\$ 211,631	\$ 1,250,735	\$ 710,275	\$ 125,259	\$ 3,462,017	\$ 3,435,632
Total Support And Program Services - 2021	\$ 849,541	\$ 498,685	\$ 93,128	\$ 1,227,540	\$ 597,816	\$ 168,922		

WASHBURN UNIVERSITY OF TOPEKA

FINANCIAL STATEMENTS

JUNE 30, 2022

Contents

	Page
Independent Auditors' Report	1 - 5
Management's Discussion and Analysis	6 - 18
 Financial Statements	
Statements of Net Position	19 - 20
Statements of Financial Position - Washburn University Foundation	21
Statements of Financial Position - Washburn Law School Foundation	22
Statements of Revenues, Expenses, and Changes in Net Position	23 - 24
Statement of Activities - 2022 - Washburn University Foundation	25
Statement of Activities - 2022 - Washburn Law School Foundation	26
Statement of Activities - 2021 - Washburn University Foundation	27
Statement of Activities - 2021 - Washburn Law School Foundation	28
Statements of Cash Flows	29 - 30
Notes to Financial Statements	31 - 71

Contents (*Continued*)

	Page
Supplemental Schedule	
Schedule of Expenditures of Federal Awards.....	72 - 75
Notes to Schedule of Expenditures of Federal Awards	76
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 <i>Government Auditing Standards</i>	77 - 78
Independent Auditors' Report on Compliance for Each Major Federal Program and a Report on Internal Control Over Compliance Required by the Uniform Guidance	79 - 81
Schedule of Findings and Questioned Costs.....	82 - 83
Summary Schedule of Prior Audit Findings.....	84
Supplementary Information Required for Revenue and Revenue Refunding Bonds	
Schedule 1 - Revenues, Expenditures, and Comparison With Budget - General Fund	85
Schedule 2 - Revenues, Expenditures, and Comparison With Budget - Debt Retirement and Construction Fund	86
Schedule 3 - Revenues, Expenditures, and Comparison With Budget - Tort Claim Liability Fund.....	87
Schedule 4 - Revenues, Expenditures, and Comparison With Budget - Sales Tax Smoothing Fund.....	88

Contents (*Continued*)

	Page
Schedule 5 - Revenues, Expenditures, and Comparison With Budget - Capital Improvement Fund.....	89
Schedule 6 - Revenues, Expenditures, and Comparison With Budget - Washburn Institute of Technology.....	90
Schedule 7 - Revenues, Expenditures, and Comparison With Budget - Auxiliary Enterprises.....	91

Independent Auditors' Report

Board of Regents
Washburn University of Topeka
Topeka, Kansas

Report On The Audit Of The Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component units of Washburn University of Topeka (the University) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Washburn University of Topeka as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 \$212,185,231 and \$234,809,336 as of June 30, 2022 and 2021, respectively, and total revenues of \$(2,334,815) and \$53,362,230, 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 \$7,488,512 and \$8,547,108 as of June 30, 2022 and 2021, respectively, and total revenues of \$(716,276) and \$2,031,322, 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.

Basis For Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. 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. We are required to be independent of Washburn University of Topeka and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis Of Matter

As discussed in Note 1 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washburn University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and the applicable provisions of the Kansas Municipal Audit Guide will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the applicable provisions of the Kansas Municipal Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Washburn University of Topeka's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washburn University of Topeka's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

GAAP requires that the accompanying management's discussion and analysis on pages 6 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedules required for revenue bonds and revenue refunding bonds on pages 84 through 90, 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) on pages 71 through 74, 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 GAAS. 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 12, 2022, 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 12, 2022

WASHBURN UNIVERSITY OF TOPEKA

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Washburn University (the University) during the fiscal year ended June 30, 2022 with comparative data for the fiscal years ended June 30, 2021 and 2020. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, and for this discussion and analysis.

Management is also responsible for maintaining the University's system of internal control, which includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes the University's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Reporting Entity

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

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

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

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

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's finances is whether the University as a whole is better or worse off as a result of the year's activities. The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows provide information on the University as a whole and present a long-term view of the University's finances. These statements present financial information in a form similar to that used by private corporations.

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

Financial Highlights For The Fiscal Year Ended June 30, 2022

The discussion below addresses the University's financial highlights.

Washburn University

The University's financial position remained strong at June 30, 2022, with total assets of \$245.4 million and total liabilities of \$63.2 million. These amounts resulted in net position of \$181.2 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Fiscal year 2022 operating revenues were \$39.8 million and operating expenses were \$104.5 million, resulting in a loss from operations of \$64.6 million. GASB Statement No. 35 requires state and local appropriations, gifts and investment income to be classified as non-operating revenues. As a result, the University reports a net operating loss.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

To gain a complete picture of operations requires consideration of net non-operating revenues. For the year ended June 30, 2022, net non-operating revenues of \$69.3 million consist primarily of state and local appropriations, grants, and gifts. When combined with capital grants (\$251,478) and additions to permanent endowments (\$250,217), the University recognized an increase in net position of \$4.1 million compared to an increase of \$25.2 million for the year ended June 30, 2021.

Washburn Tech

Washburn Tech's financial position was also strong at June 30, 2022, with total assets of \$18.4 million exceeding total liabilities of \$1.5 million. These amounts resulted in net position of \$16.9 million.

Financial operations were in accordance with the budget plan approved by the University's Board of Regents. Fiscal year 2022 operating revenues were \$3.0 million and operating expenses were \$13.4 million, resulting in a loss from operations of \$10.4 million. Net non-operating revenues of \$12.1 million consist primarily of state appropriations and grants, which resulted in an increase in net position of \$2.7 million. The increase was more than the increase of \$1.3 million for the year ended June 30, 2021.

Combined Statements of Net Position

The Statement of Net Position is the University's balance sheet, presenting the financial position of the University at the end of the fiscal year. It includes all assets, liabilities, deferred outflows and inflows, and net position of the University. Net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, liabilities and deferred outflows and inflows are generally measured using current values. The primary exception is capital assets, which are stated at historical cost, net of accumulated depreciation.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

A condensed comparison of the University's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2022, 2021 and 2020 is presented below.

Combined Statements of Net Position June 30, 2022, 2021, and 2020

	2022	2021	2020
Assets:			
Current assets	\$ 76,093,603	\$ 72,236,732	\$ 57,738,991
Capital assets, net	146,602,064	133,744,455	131,988,895
Noncurrent assets	41,195,783	56,552,732	38,506,585
Total Assets	263,891,450	262,533,919	228,234,471
Deferred Outflows of Resources	—	—	256,356
Liabilities:			
Current liabilities	14,529,945	13,546,628	15,787,837
Noncurrent liabilities	50,316,932	57,020,237	48,133,574
Total Liabilities	64,846,877	70,566,865	63,921,411
Deferred Inflows of Resources	992,176	847,669	—
Net Position:			
Net investment in capital assets	94,742,698	90,575,248	82,817,082
Restricted - nonexpendable	25,986,927	31,075,913	25,604,947
Restricted - expendable	16,918,584	22,141,502	13,811,423
Unrestricted	60,404,188	47,326,721	42,335,964
Total Net Position	\$ 198,052,397	\$ 191,119,385	\$ 164,569,416

Fiscal Year 2022 Compared to Fiscal Year 2021

Assets

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

Current assets totaled \$76.0 million at June 30, 2022, and consisted primarily of cash, short-term investments, and receivables. This represents an increase of \$3.8 million due primarily to an increase in cash and cash equivalents. Total current assets at June 30, 2022 cover current liabilities 5.2 times, an indicator of good liquidity.

Capital assets, which represent the assets' historical cost net of accumulated depreciation, totaled \$146.6 million at June 30, 2022. This represents an increase of \$12.9 million, which is attributable to capitalized items exceeding depreciation and disposals.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Noncurrent assets totaled \$41.1 million and \$56.5 million at June 30, 2022 and 2021, respectively, and consisted primarily of restricted cash and amounts due from the Washburn University Foundation.

Deferred Outflows of Resources

GASB Statement No. 65 requires that the excess of the reacquisition price of new debt over the net carrying value of refunded debt be reported as a deferred outflow of resources. During the year ended June 30, 2014, the University issued \$9.655 million of bonds to refund the Series 2004 bonds. In connection with that transaction, the remaining deferred outflows relating to the Series 2004 bonds (\$589,000) were written off, while \$534,000 of deferred outflows was recorded relating to the Series 2014 bonds. The balance of \$256,000 as of June 30, 2020, was recognized in fiscal year 2021. There were no additions to deferred outflows of resources during the years ended June 30, 2022, 2021, and 2020.

Liabilities

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

Current liabilities totaled \$14.5 million at June 30, 2022, and consisted primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of long-term debt.

Noncurrent liabilities totaled \$50.3 million at June 30, 2022, and consisted primarily of long-term debt obligations and unearned revenue. This reflects a decrease of \$6.7 million due to the scheduled amortization of bond and leases obligations.

Net Position

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

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

Expendable restricted net position is subject to externally-imposed restrictions governing its use. This category of net position includes earnings from permanent endowment funds that can be reinvested to protect future purchasing power or spent, but only in accordance with restrictions imposed by donors and/or external parties that have placed time or purpose restrictions on the use of the assets.

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Fiscal Year 2021 Compared To Fiscal Year 2020

Current assets totaled \$72.2 million at June 30, 2021, and consisted primarily of cash, short-term investments, and receivables. This represents an increase of \$14.4 million due primarily to an increase in grants receivable. Total current assets at June 30, 2021 cover current liabilities 5.3 times, an indicator of good liquidity.

Capital assets, which represent the assets' historical cost net of accumulated depreciation, totaled \$133.7 million at June 30, 2021. This represents an increase of \$1.8 million, which is attributable to capitalized items exceeding depreciation and disposals.

Noncurrent assets totaled \$56.5 million and \$38.5 million at June 30, 2021 and 2020, respectively, and consisted primarily of restricted cash and amounts due from the Washburn University Foundation.

Current liabilities totaled \$13.5 million at June 30, 2021, and consisted primarily of accounts payable and accrued liabilities, unearned revenue, and the current portion of long-term debt.

Noncurrent liabilities totaled \$57.0 million at June 30, 2021, and consisted primarily of long-term debt obligations and unearned revenue. This reflects an increase of \$8.9 million due to the issuance of the \$20.9 million Series 2021A-1, A-2 and B Revenue Bonds netted against the refinancing and scheduled amortization of bond and leases obligations.

Statements Of Revenues, Expenses And Changes In Net Position

Changes in total net position presented on the Statements of Net Position result from the activity presented in the Statements of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned and the expenses incurred by the University, both operating and non-operating, 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. Non-operating revenues are revenues earned for which goods and services are not provided. For example, the state operating grant and sales tax collections are non-operating because they represent revenue provided to the University for which no goods or services are provided directly by the University to the state or Shawnee County.

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

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

A condensed comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021 and 2020 is presented below.

Combined Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2022, 2021, and 2020

	2022	2021	2020
Operating revenues	\$ 42,799,684	\$ 42,590,391	\$ 46,475,105
Operating expenses	117,801,275	109,773,107	111,910,923
Operating loss	(75,001,591)	(67,182,716)	(65,435,818)
Nonoperating revenues	88,337,094	96,530,143	71,898,542
Interest on capital asset-related debt	(1,471,280)	(1,915,397)	(1,754,706)
Other nonoperating expenses	(5,432,906)	(1,152,537)	(1,014,787)
Income before other revenues	6,431,317	26,279,493	3,693,231
Other revenues	501,695	270,477	447,492
Increase (decrease) in net position	6,933,012	26,549,970	4,140,723
Net Position - Beginning of Year	191,119,385	164,569,415	160,428,692
Net Position - End of Year	\$ 198,052,397	\$ 191,119,385	\$ 164,569,415

Fiscal Year 2022 Compared to Fiscal Year 2021

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$6.9 million during the year ended June 30, 2022 compared to an increase of \$26.5 million during the year ended June 30, 2021. Highlights of the information provided in these statements is included below.

Revenues

Revenues, excluding capital grants and additions to permanent endowments, totaled \$131.2 million and \$139.1 million for the years ending June 30, 2022 and 2021, respectively. The \$7.9 million decrease is attributable primarily to a decrease in investment income.

State and local appropriations comprised 42.8 percent of the University's revenue for the year ended June 30, 2022 compared to 36.1 percent for the year ended June 30, 2021. The next largest revenue source was net tuition and fees, comprising 25.5 percent of revenue for the year ended June 30, 2022 compared to 24.5 percent for the year ended June 30, 2021.

Expenses

Expenses totaled \$124.7 million and \$112.8 million for the years ended June 30, 2022 and 2021.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Instruction expenses accounted for 30.9 percent of total expenses by function for the year ended June 30, 2022 compared to 33.8 percent for the year ended June 30, 2021. The percentages for the remaining expenses by functional area range from 11.3 percent for Student Services to 0.1 percent for Research for the year ended June 30, 2022, compared to 10.8 percent and 0.1 percent for the year ended June 30, 2021.

Salaries and benefits comprised 61.3 percent of operating expenses by natural classification for the year ended June 30, 2022 compared to 66.8 percent for the year ended June 30, 2021. Other operating expenses represent 23.1 percent of total expenses for the year ended June 30, 2022 compared to 18.7 percent for the year ended June 30, 2021. Financial aid and depreciation accounted for the remaining 15.6 percent of expenses for the year ended June 30, 2022 compared to 14.5 percent for the year ended June 30, 2021.

Fiscal Year 2021 Compared To Fiscal Year 2020

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$26.5 million during the year ended June 30, 2021 compared to an increase of \$4.1 million during the year ended June 30, 2020. Highlights of the information provided in these statements is included below.

Revenues

Revenues, excluding capital grants and additions to permanent endowments, totaled \$139.1 million and \$118.4 million for the years ending June 30, 2021 and 2020, respectively. The \$20.7 million increase is attributable primarily to an increase in federal grants and contracts, and local appropriations.

State and local appropriations comprised 36.1 percent of the University's revenue for the year ended June 30, 2021 compared to 40.5 percent for the year ended June 30, 2020. The next largest revenue source was net tuition and fees, comprising 24.5 percent of revenue for the year ended June 30, 2021 compared to 31.6 percent for the year ended June 30, 2020.

Expenses

Expenses totaled \$112.8 million and \$114.7 million for the years ended June 30, 2021 and 2020.

Instruction expenses accounted for 33.8 percent of total expenses by function for the year ended June 30, 2021 compared to 35.8 percent for the year ended June 30, 2020. The percentages for the remaining expenses by functional area range from 11.5 percent for Academic Support to 0.1 percent for Research for the year ended June 30, 2021, compared to 12.5 percent and 0.1 percent for the year ended June 30, 2020.

Salaries and benefits comprised 66.9 percent of operating expenses by natural classification for the year ended June 30, 2021 compared to 65.6 percent for the year ended June 30, 2020. Other operating expenses represent 18.7 percent of total expenses for the year ended June 30, 2021 compared to 22.9 percent for the year ended June 30, 2020. Financial aid and depreciation accounted for the remaining 14.5 percent of expenses for the year ended June 30, 2021 compared to 11.6 percent for the year ended June 30, 2020.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Statement Of Cash Flows

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

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

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

Condensed Combined Statements of Cash Flows For the Years Ended June 30, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash provided (used) by:			
Operating activities	\$ (57,536,029)	\$ (59,286,616)	\$ (53,476,912)
Noncapital financing activities	94,766,248	74,259,133	87,460,462
Capital and related financing activities	(32,388,840)	(5,443,159)	(22,637,924)
Investing activities	52,846	5,594,807	5,937,205
Change in Cash	4,894,225	15,124,165	17,282,830
Cash - Beginning of Year	66,507,440	51,383,275	34,100,445
Cash - End of Year	\$ 71,401,665	\$ 66,507,440	\$ 51,383,275

Fiscal Year 2022 Compared to Fiscal Year 2021

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

The cash position of the University increased by approximately \$4.9 million during the year ended June 30, 2022, compared to an increase of approximately \$15.1 million during the year ended June 30, 2021. These changes are largely attributable to changes in noncapital and capital financing activities.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Fiscal Year 2021 Compared To Fiscal Year 2020

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

The cash position of the University increased by approximately \$15.1 million during the year ended June 30, 2021, compared to an increase of approximately \$17.3 million during the year ended June 30, 2020. These changes are largely attributable to less net cash used by capital and financing activities.

Capital Asset And Debt Administration

Major Maintenance Funding/Deferred Maintenance

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

Capital Assets

At June 30, 2022, the University reported \$146.6 million invested in capital assets, net of accumulated depreciation, compared to \$133.7 million and \$132.0 million at June 30, 2021 and 2020, respectively. Depreciation charges totaled \$11.0 million for the fiscal year ended June 30, 2022 compared to \$10.9 million and \$10.4 million for the years ended June 30, 2021 and 2020, respectively. Details of these assets are as follows:

**Condensed Statements of Capital and Right-to-Use Assets,
Net of Accumulated Depreciation and Amortization
As of June 30, 2022, 2021, and 2020**

	2022	2021	2020
Land	\$ 1,596,172	\$ 1,444,104	\$ 1,444,104
Buildings, improvements, and infrastructure	106,845,846	112,759,243	99,810,853
Furniture, fixtures, and equipment	5,682,095	5,905,635	6,552,678
Computers and electronic equipment	1,325,211	2,351,546	2,938,159
Books and collections	92,071	153,902	282,110
Broadcasting tower, antenna, and equipment	951,154	1,075,308	989,407
Vehicles	872,623	744,489	836,066
Works of art and historical treasures	5,148,794	5,133,794	3,952,794
Right-to-use asset - leases	330,995	—	—
Construction in progress	23,757,103	4,176,431	15,182,724
Capital and Right-to-Use Assets, Net	\$ 146,602,064	\$ 133,744,455	\$ 131,988,895

Strategic additions during the fiscal year ended June 30, 2022 included renovations to the Village Apartments, Maybee West Basement, and the Athletic Weight Room Flooring.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

Strategic additions during the fiscal year ended June 30, 2021 included renovations to Indoor Athletics Facility, Falley Field turf, and Multicultural Resource Center.

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

Debt

At June 30, 2022, the University had \$48.8 million in outstanding revenue bonds and leases compared to \$56.0 million and \$48.5 million at June 30, 2021 and 2020, respectively. The increase from 2020 to 2021 resulted from the April 2021 issuance of Series 2021A-1, A-2, and B Revenue Bonds. The table below summarizes the University's outstanding debt amounts by type of debt instrument.

Outstanding Bond and Lease Principal As of June 30, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Bonds:			
Series 2010	\$ —	\$ —	\$ 2,960,000
Series 2014	—	—	4,640,000
Series 2015A	17,315,000	17,315,000	19,040,000
Series 2015B	4,795,000	4,795,000	5,810,000
Series 2018	8,555,000	8,945,000	9,325,000
Series 2021-A1	10,365,000	10,365,000	—
Series 2021-A2	3,675,000	3,675,000	—
Series 2021B	3,285,000	5,050,000	—
Total Bonds	47,990,000	50,145,000	41,775,000
Lease Liability	330,995	—	—
Direct Financing Leases	523,360	5,859,380	6,768,347
Total Outstanding Debt	\$ 48,844,355	\$ 56,004,380	\$ 48,543,347

On May 5, 2021 the University issued \$20,850,000 in Revenue Bonds, Series 2021A-1, A-2 and B ("Series 2021"), with interest rates of 2.00 percent to 4.00 percent. The Series 2021 bonds are due in annual principal payments ranging from \$35,000 to \$1,760,000, and mature between July 1, 2021 and July 1, 2042. Interest payments begin on July 1, 2021.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

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

Economic Outlook

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

State Appropriations

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

The University's fiscal 2023 budget anticipates modest growth when compared to fiscal year 2022. Due to ongoing uncertainty surrounding state funding, the University continues to explore and implement when appropriate cost-reductions, program/revenue enhancements, and instructional delivery alternatives.

Local Appropriations

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

For fiscal year 2023, the University budgeted for sales tax revenue to be up \$2.4 million or 10.7 percent.

Tuition

The University's Board of Regents approved a 2.0 percent tuition increase for fiscal year 2023.

WASHBURN UNIVERSITY OF TOPEKA

Management's Discussion and Analysis (*Continued*)

For Fall 2022, Washburn University experienced a 3.5 percent reduction in total student headcount while Washburn Technical experienced an 7.0 percent decrease in total student headcount. These variances were anticipated and planned for when developing the fiscal year 2023 budget.

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

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

Requests For Information

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

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 1 of 2

Assets and Deferred Outflows of Resources

	June 30,	
	2022	2021 Restated
Current Assets:		
Cash and cash equivalents	\$ 61,007,029	\$ 45,749,850
Taxes receivable	4,707,734	4,439,842
Accounts receivable, net of allowance of \$3,550,395 and \$4,266,977 in 2022 and 2021, respectively	6,393,607	12,321,417
Receivable from Washburn University Foundation	255,329	221,730
Federal and grants receivable	1,263,093	7,617,450
Other current receivables	300,000	300,000
Lease receivable	127,652	116,281
Inventories	701,880	542,585
Other assets	1,337,279	927,577
Total Current Assets	76,093,603	72,236,732
Noncurrent Assets:		
Restricted cash and cash equivalents	10,394,636	20,757,590
Perkins loans receivable	371,528	443,022
Receivable from Washburn University Foundation	29,197,272	34,205,557
Lease receivable	880,563	739,563
Endowment investments	351,784	407,000
Capital and right-of-use assets, net	146,602,064	133,744,455
Total Noncurrent Assets	187,797,847	190,297,187
Total Assets	263,891,450	262,533,919

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF NET POSITION

Page 2 of 2

Liabilities and Net Position

	June 30,	
	2022	2021 Restated
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,843,808	\$ 6,385,603
Accrued compensated absences, current portion	1,818,495	1,722,438
Unearned revenue	1,510,048	2,142,683
Direct financing lease obligation, current portion	258,322	930,337
Lease liability, current portion	81,060	—
Building revenue bonds, current portion	1,755,000	2,155,000
Deposits held in custody for others	263,212	210,567
Total Current Liabilities	14,529,945	13,546,628
Noncurrent Liabilities:		
Accrued compensated absences	369,479	570,923
Unearned revenue	1,760,342	1,834,042
Direct financing lease obligation	265,038	4,929,042
Lease liability	249,935	—
Building revenue bonds	47,672,138	49,686,230
Total Noncurrent Liabilities	50,316,932	57,020,237
Total Liabilities	64,846,877	70,566,865
Deferred Inflows of Resources:		
Deferred inflows - leases	992,176	847,669
Total Deferred Inflows of Resources	992,176	847,669
Net Position:		
Net investment in capital assets	94,742,698	90,575,248
Restricted		
Nonexpendable		
Endowments	25,986,927	31,075,913
Expendable		
Scholarships	2,138,776	2,151,450
Loans	726,753	813,242
Self-funded insurance	8,003,777	8,074,461
Capital projects	102,450	64,966
Other	5,946,828	11,037,384
Unrestricted	60,404,188	47,326,721
Total Net Position	\$ 198,052,397	\$ 191,119,385

WASHBURN UNIVERSITY OF TOPEKA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – WASHBURN UNIVERSITY FOUNDATION

	June 30,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 6,316,273	\$ 4,589,815
Investments	172,570,902	192,045,008
Bequests receivable	2,972,671	3,842,441
Pledges receivable	18,618,566	20,623,559
Accrued investment income receivable	33,230	39,767
Beneficial interests in trusts	8,924,689	10,879,719
Real estate, net	2,695,956	2,750,010
Equipment, net	52,944	39,017
Total Assets	\$ 212,185,231	\$ 234,809,336
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 485,604	\$ 663,785
Due to Washburn University of Topeka	255,329	221,730
Charitable gift liabilities	402,492	503,463
Funds managed on behalf of Washburn University of Topeka	29,197,273	34,205,557
Funds managed on behalf of Washburn Law School Foundation	7,488,512	8,547,108
Total Liabilities	37,829,210	44,141,643
Net Assets:		
Without donor restrictions	14,800,216	16,580,745
With donor restrictions	159,555,805	174,086,948
Total Net Assets	174,356,021	190,667,693
Total Liabilities and Net Assets	\$ 212,185,231	\$ 234,809,336

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF FINANCIAL POSITION – WASHBURN LAW SCHOOL FOUNDATION

	June 30,	
	2022	2021
Assets		
Investments held at Washburn University Foundation	\$ 7,488,512	\$ 8,547,108
Total Assets	\$ 7,488,512	\$ 8,547,108
Net Assets		
Net Assets:		
Without donor restrictions	\$ 2,661,876	\$ 3,038,126
With donor restrictions	4,826,636	5,508,982
Total Net Assets	\$ 7,488,512	\$ 8,547,108

WASHBURN UNIVERSITY OF TOPEKA

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

Page 1 of 2

	For the Years Ended June 30,	
	2022	2021 Restated
Operating Revenues:		
Tuition and fees (net of scholarship allowances of \$21,746,632 and \$20,138,185 in 2022 and 2021, respectively)	\$ 33,444,012	\$ 34,185,164
Federal grants and contracts	36,053	41,321
Sales and services of educational departments	2,341,387	2,015,971
Auxiliary enterprises		
Residential Living (net of scholarship allowances of \$371,843 and \$346,396 in 2022 and 2021, respectively; revenues are used as security for revenue bonds Series 2015A, 2015B, 2021A2 and 2021B)	3,138,874	2,932,163
Memorial Union (revenues are used as security for revenue bonds Series 2021A2 and 2021B)	3,307,183	3,086,974
Other operating revenues	532,175	328,798
Total Operating Revenues	42,799,684	42,590,391
Operating Expenses:		
Educational and general:		
Instruction	38,433,652	38,182,528
Research	186,088	118,995
Public service	3,131,843	3,217,830
Academic support	13,581,848	12,916,924
Student services	14,140,997	12,208,623
Institutional support	6,750,701	6,612,078
Operation and maintenance of plant	10,069,778	8,838,636
Depreciation and amortization	11,025,072	10,936,350
Financial aid	8,529,179	4,934,740
Auxiliary enterprises:		
Residential Living	1,196,798	1,070,861
Memorial Union	2,930,958	2,931,837
Self-funded insurance claims, net of premiums	7,824,361	7,803,705
Total Operating Expenses	117,801,275	109,773,107
Operating Loss	(75,001,591)	(67,182,716)

WASHBURN UNIVERSITY OF TOPEKA

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

Page 2 of 2

	For the Years Ended June 30,	
	2022	2021 Restated
Nonoperating Revenues (Expenses):		
State appropriations	\$ 24,601,458	\$ 21,210,190
Local appropriations	31,525,791	29,086,969
Federal grants and contracts	26,509,298	25,927,527
State and local grants and contracts	691,402	320,771
Nongovernmental grants and contracts	79,847	118,339
Gifts	10,186,734	14,183,419
Investment income (loss)	(5,257,436)	5,682,928
Interest on indebtedness	(1,471,280)	(1,915,397)
Other nonoperating expenses	(5,432,906)	(1,152,537)
Net Nonoperating Revenues	81,432,908	93,462,209
 Income Before Other Revenues	 6,431,317	 26,279,493
 Capital Grants and Gifts	 251,478	 229,256
Additions to Permanent Endowments	250,217	41,221
 Change in Net Position	 6,933,012	 26,549,970
 Net Position - Beginning of Year	 191,119,385	 164,569,415
Net Position - End of Year	\$ 198,052,397	\$ 191,119,385

WASHBURN UNIVERSITY OF TOPEKA

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

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributions	\$ 2,756,557	\$ 8,755,350	\$ 11,511,907
Change in beneficial interest and other	—	(1,466,493)	(1,466,493)
Total support	2,756,557	7,288,857	10,045,414
Revenue:			
Investment return, net	970,640	(14,288,854)	(13,318,214)
Administration	468,266	—	468,266
Events	164,962	40,529	205,491
Other	269,828	(5,600)	264,228
Total revenue	1,873,696	(14,253,925)	(12,380,229)
Net assets released from restrictions	7,902,136	(7,902,136)	—
Total support and revenue (loss)	12,532,389	(14,867,204)	(2,334,815)
Expenses:			
Program services	9,472,850	—	9,472,850
Management and general	1,553,042	—	1,553,042
Fundraising	2,950,965	—	2,950,965
Total expenses	13,976,857	—	13,976,857
(Deficit) of support and revenue (under) expenses	(1,444,468)	(14,867,204)	(16,311,672)
Other fund transfers, net	(336,061)	336,061	—
Change in net assets	(1,780,529)	(14,531,143)	(16,311,672)
Net assets - beginning of year	16,580,745	174,086,948	190,667,693
Net assets - end of year	\$ 14,800,216	\$ 159,555,805	\$ 174,356,021

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 44,712	\$ 210,533	\$ 255,245
Investment return, net	(392,031)	(599,490)	(991,521)
Nongift and other income	—	20,000	20,000
Net assets released from restriction	317,134	(317,134)	—
Total support and revenues (loss)	(30,185)	(686,091)	(716,276)
Expenses:			
Program services	243,150	—	243,150
Management and general	99,170	—	99,170
Total expenses	342,320	—	342,320
(Deficit) of support and revenue (under) expenses	(372,505)	(686,091)	(1,058,596)
Other fund transfers, net	(3,745)	3,745	—
Change in net assets	(376,250)	(682,346)	(1,058,596)
Net assets - beginning of year	3,038,126	5,508,982	8,547,108
Net assets - end of year	\$ 2,661,876	\$ 4,826,636	\$ 7,488,512

WASHBURN UNIVERSITY OF TOPEKA

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

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributions	\$ 3,319,978	\$ 17,954,974	\$ 21,274,952
Change in beneficial interest and other	—	2,127,516	2,127,516
Total support	3,319,978	20,082,490	23,402,468
Revenue:			
Investment return, net	3,103,246	25,761,077	28,864,323
Administration	777,679	—	777,679
Events	119,528	23,125	142,653
Other	141,845	33,262	175,107
Total revenue	4,142,298	25,817,464	29,959,762
Net assets released from restrictions	11,744,592	(11,744,592)	—
Total support and revenue	19,206,868	34,155,362	53,362,230
Expenses:			
Program services	12,039,701	—	12,039,701
Management and general	2,000,713	—	2,000,713
Fundraising	2,872,887	—	2,872,887
Total expenses	16,913,301	—	16,913,301
Excess of support and revenue over expenses	2,293,567	34,155,362	36,448,929
Other fund transfers, net	(238,474)	238,474	—
Change in net assets	2,055,093	34,393,836	36,448,929
Net assets - beginning of year	14,525,652	139,693,112	154,218,764
Net assets - end of year	\$ 16,580,745	\$ 174,086,948	\$ 190,667,693

WASHBURN UNIVERSITY OF TOPEKA

STATEMENT OF ACTIVITIES – WASHBURN LAW SCHOOL FOUNDATION For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 76,231	\$ 16,813	\$ 93,044
Investment return, net	686,910	1,256,272	1,943,182
Nongift and other income	(6,439)	1,535	(4,904)
Net assets released from restriction	347,338	(347,338)	—
Total support and revenues (loss)	1,104,040	927,282	2,031,322
Expenses:			
Program services	289,736	—	289,736
Management and general	159,746	—	159,746
Total expenses	449,482	—	449,482
Change in net assets	656,953	924,887	1,581,840
Net assets - beginning of year	2,381,173	4,584,095	6,965,268
Net assets - end of year	\$ 3,038,126	\$ 5,508,982	\$ 8,547,108

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

Page 1 of 2

	For the Years Ended June 30,	
	2022	2021 Restated
Cash Flows from Operating Activities:		
Tuition and fees	\$ 35,282,891	\$ 33,838,723
Grants and contracts	36,053	41,321
Auxiliary enterprise charges		
Residential Living	3,138,874	2,932,163
Memorial Union	3,110,837	2,930,987
Sales and services of educational departments	2,334,900	2,039,368
Collection of loans issued to students	71,495	93,195
Other receipts and disbursements	3,071,600	(677,688)
Self-insurance premium	1,718,542	655,809
Payments to suppliers	(22,077,753)	(22,305,324)
Payments to employees	(66,151,386)	(65,585,473)
Payments for scholarships and fellowships	(8,529,179)	(4,934,740)
Payments for self-insurance claims and administrative fees	(9,542,903)	(8,459,514)
Net Cash Used in Operating Activities	(57,536,029)	(59,431,173)
Cash Flows Provided by Investing Activities:		
Investment income	52,846	5,594,807
Cash Flows from Noncapital Financing Activities:		
State appropriations	24,601,458	21,210,190
Local appropriations	31,525,791	28,936,724
Gifts and grants for other than capital purposes	44,071,905	28,115,533
Federal Family Education loan receipts	26,406,911	25,064,136
Federal Family Education loan disbursements	(26,406,911)	(27,914,913)
Other payments	(5,432,906)	(1,152,537)
Net Cash Provided by Noncapital Financing Activities	94,766,248	74,259,133
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of debt, net	—	22,120,541
Interest received from leases	18,795	16,976
Rents received from leases	116,280	127,583
Purchase of capital assets	(23,479,697)	(12,429,273)
Gifts and grants for capital purposes	251,478	229,256
Principal paid on leases	(74,305)	—
Principal paid on long-term debt	(7,491,019)	(13,388,968)
Interest paid on long-term debt	(1,730,372)	(1,974,717)
Net Cash Used in Capital and Related Financing Activities	(32,388,840)	(5,298,602)
Change in Cash and Cash Equivalents	4,894,225	15,124,165
Cash and Cash Equivalents - Beginning of Year	66,507,440	51,383,275
Cash and Cash Equivalents - End of Year	\$ 71,401,665	\$ 66,507,440

WASHBURN UNIVERSITY OF TOPEKA

STATEMENTS OF CASH FLOWS

Page 2 of 2

	For the Years Ended June 30,	
	2022	2021 Restated
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (75,001,591)	\$ (67,182,716)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,025,072	10,936,350
Loss on disposal of fixed assets	2,313	54,424
Changes in assets and liabilities:		
Receivables, net	5,360,693	(1,612,314)
Inventories	(159,295)	84,654
Other assets	(409,702)	416,496
Perkins loans receivable	71,495	93,195
Accounts payable	2,458,205	(1,978,913)
Unearned revenue	(706,335)	(213,560)
Deposits	52,647	—
Deferred inflow from lease	(124,144)	(135,758)
Compensated absences	(105,387)	106,968
Net Cash Used in Operating Activities	\$ (57,536,029)	\$ (59,431,173)
Noncash Investing and Financing Transactions		
Right-of-assets obtained through leases	\$ 405,300	\$ —
Capital additions included in accounts payable	\$ —	\$ 540,359

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

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

Reporting Entity

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

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

Component Units

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

Discretely-Presented Component Units

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The University distinguishes operating revenues and expenses from non-operating 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 non-operating revenues. The primary non-operating expense is interest on indebtedness. Other significant non-operating 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.

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. The University records an allowance for doubtful accounts receivable that is based on various factors, such as historical collection information and existing economic conditions. Receivables are charged off against the allowance when deemed uncollectible. Recoveries of receivables previously charged off are recorded as revenue when received.

Inventories

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

Investments

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

Bond Issuance Costs

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as non-operating gains or losses.

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (*Continued*)

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.

Leasing Arrangements

Effective July 1, 2020, the University implemented GASB Statement No. 87, *Leases* (GASB 87), which requires retroactive application. The implementation of GASB 87 had no net position impact at July 1, 2020.

For arrangement in which the University is the lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflows of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

For arrangements where the University is a lessee, a lease liability and a right to use (RTU) intangible asset are recognized at the commencement of the lease term. RTU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. RTU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

At July 1, 2020, for arrangements where the University is the lessor, the University's lease receivables and deferred inflows related to leases were \$983,426. During fiscal year 2021, the University also recognized \$127,582 of lease receivable payments and \$135,757 of amortization of deferred inflows, which resulted in lease receivables of \$855,844 and deferred inflows of \$847,669 at June 30, 2021. Net position was increased by \$8,175 at June 30, 2021.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The University used the average interest rate from the most recent bond issuance to calculate the present value of lease payments when the rate implicit in the lease is not known. The University includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the University will exercise the option. The University has elected to combine lease and non-lease components for all lease contracts and also has not recognized RTU assets and lease liabilities for leases with terms for 12 months or less.

Unearned Revenue

Unearned revenue at June 30, 2022, consists of unearned student fees of \$1,146,691 and deferred capital gifts of \$2,123,699. Unearned revenue at June 30, 2021, consists of unearned student fees of \$1,637,552 and deferred capital gifts of \$2,339,173.

Compensated Absences

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

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets

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

Restricted Net Position - Nonexpendable

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

Restricted Net Position - Expendable

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

Unrestricted Net Position

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

Property Taxes

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

Tax Abatements

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

Tuition Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances. Discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is payable by students. Certain grants, including federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues, while Pell grants are recorded as non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a discount and allowance. Financial aid expense represents payments made to students.

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.

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.

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.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

3. Cash and Investments

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

Cash

At June 30, 2022 and 2021, the University's cash and cash equivalents consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 61,007,029	\$ 45,749,850
Restricted cash and cash equivalents	10,394,636	20,757,590
	<u>\$ 71,401,665</u>	<u>\$ 66,507,440</u>

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

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

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, 2022 and 2021, the University's cash and cash equivalents were held in the following institutions:

	<u>2022</u>	<u>2021</u>
Deposits at financial institutions	\$ 24,451,318	\$ 18,989,268
Deposits in State of Kansas		
Municipal Investment Pool	46,950,347	47,518,172
	<u>\$ 71,401,665</u>	<u>\$ 66,507,440</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The University had no bank balances exposed to custodial credit risk at June 30, 2022 or 2021.

The University maintains deposits with the State of Kansas Municipal Investment Pool (KMIP) throughout the year. Deposits in the amount of \$46,950,347 and \$47,518,172 measured at net asset value, which approximates fair value, at June 30, 2022 and 2021, respectively, were held in the KMIP Overnight Municipal Investment Pool (OMIP). Deposits in the OMIP are invested nightly by the KMIP in a transaction similar to a repurchase agreement with a bank. The University does not have securities specifically listed in its name as part of its participation in the OMIP, and money can be withdrawn without penalty daily. The KMIP is included within the Kansas Pooled Money Investment Portfolio. The pool is managed and overseen by the Pooled Money Investment Board.

Investments

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

Endowment investments reported by the University at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds, carried at fair value, level 1 (cost of \$336,948 and \$337,371 for 2022 and 2021, respectively)	\$ 351,784	\$ 407,000

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

Interest rate risk is the risk that the University's investments will decrease as a result of an increase in interest rates. The University's money market and mutual funds can be withdrawn without penalty, and the U.S. government issues mature in less than a year.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, the University had mutual funds that are unrated.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University is not exposed to concentration risk at June 30, 2022.

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, 2022.

4. **Receivables from and Assets Held by 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contributions for scholarships and other activities	\$ 1,358,636	\$ 1,371,750
Held pledges receivable	1,310	—
Restricted endowment income	1,977,326	1,851,616
Unreimbursed costs due to the University - Current	255,329	221,730
University endowment funds managed by the Foundation (see activity below)	25,860,000	30,982,191
	<u>\$ 29,452,601</u>	<u>\$ 34,427,287</u>

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

	<u>2022</u>	<u>2021</u>
Current receivable from Washburn University Foundation	\$ 255,329	\$ 221,730
Noncurrent receivable from Washburn University Foundation	29,197,272	34,205,557
	<u>\$ 29,452,601</u>	<u>\$ 34,427,287</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, 2022 and 2021 and for the years then ended is as follows:

	<u>2022</u>	<u>2021</u>
<u>Beginning (original) principal transferred</u>	\$ 23,364,866	\$ 23,364,866
Post-transfer additions, net	5,765,297	5,566,748
Earnings added to corpus	134,476	131,455
Gifts received	190,203	141,556
End of year - at cost	29,454,842	29,204,625
<u>Cumulative net unrealized gains (losses)</u>	<u>(3,594,843)</u>	<u>1,777,566</u>
<u>End of year - at fair value</u>	<u>\$ 25,860,000</u>	<u>\$ 30,982,191</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

5. Capital and Right-of-Use Assets

The following is a summary of capital and right-of-use assets for the years ended June 30, 2022 and 2021:

	2022				
	Balance - July 1, 2021	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2022
Capital assets, not being depreciated:					
Land	\$ 1,444,104	\$ 152,068	\$ —	\$ —	\$ 1,596,172
Works of art and historical treasures	5,133,794	15,000	—	—	5,148,794
Construction in progress	4,176,431	21,482,534	—	(1,901,862)	23,757,103
Total capital assets, not being depreciated	10,754,329	21,649,602	—	(1,901,862)	30,502,069
Capital assets, being depreciated:					
Buildings, improvements and infrastructure	228,540,841	1,881,525	—	—	230,422,366
Furniture, fixtures and equipment	35,550,526	1,358,448	(58,003)	—	36,850,971
Computers and electronic equipment	23,223,760	209,113	(261,397)	—	23,171,476
Books and collections	21,366,681	—	—	—	21,366,681
Broadcasting tower, antenna and equipment	8,315,070	18,263	—	—	8,333,333
Vehicles	2,131,582	264,605	(41,575)	—	2,354,612
Total capital assets, being depreciated	319,128,460	3,731,954	(360,975)	—	322,499,439
Less accumulated depreciation for:					
Buildings, improvements and infrastructure	(115,781,598)	(7,794,922)	—	—	(123,576,520)
Furniture, fixtures and equipment	(29,644,888)	(1,579,678)	55,690	—	(31,168,876)
Computers and electronic equipment	(20,872,214)	(1,235,448)	261,397	—	(21,846,265)
Books and collections	(21,212,779)	(61,831)	—	—	(21,274,610)
Broadcasting tower, antenna and equipment	(7,239,762)	(142,417)	—	—	(7,382,179)
Vehicles	(1,387,093)	(136,471)	41,575	—	(1,481,989)
Total accumulated depreciation	(196,138,334)	(10,950,767)	358,662	—	(206,730,439)
Total capital assets being depreciated, net	122,990,126	(7,218,813)	(2,313)	—	115,769,000
Right to use assets - leases					
Building and improvements	—	405,300	—	—	405,300
Less accumulated amortization					
Building and improvements	—	(74,305)	—	—	(74,305)
Total right to use assets - leases, net	—	330,995	—	—	330,995
Total capital and right-of-use assets	\$ 133,744,455	\$ 14,761,784	\$ (2,313)	\$ (1,901,862)	\$ 146,602,064

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

	2021				
	Balance - July 1, 2020	Additions	Retirements	Construction In Progress Placed In Service	Balance - June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 1,444,104	\$ —	\$ —	\$ —	\$ 1,444,104
Works of art and historical treasures	3,952,794	1,226,000	(45,000)	—	5,133,794
Construction in progress	15,182,724	10,561,733	—	(21,568,026)	4,176,431
Total capital assets, not being depreciated	20,579,622	11,787,733	(45,000)	(21,568,026)	10,754,329
Capital assets, being depreciated:					
Buildings, improvements and infrastructure	208,195,839	20,345,002	—	—	228,540,841
Furniture, fixtures and equipment	34,734,497	1,149,956	(333,927)	—	35,550,526
Computers and electronic equipment	22,610,499	795,775	(182,514)	—	23,223,760
Books and collections	21,366,681	—	—	—	21,366,681
Broadcasting tower, antenna and equipment	8,114,052	201,018	—	—	8,315,070
Vehicles	2,113,507	32,875	(14,800)	—	2,131,582
Total capital assets, being depreciated	297,135,075	22,524,626	(531,241)	—	319,128,460
Less accumulated depreciation for:					
Buildings, improvements and infrastructure	(108,384,986)	(7,396,612)	—	—	(115,781,598)
Furniture, fixtures and equipment	(28,181,819)	(1,789,573)	326,504	—	(29,644,888)
Computers and electronic equipment	(19,672,340)	(1,382,388)	182,514	—	(20,872,214)
Books and collections	(21,084,571)	(128,208)	—	—	(21,212,779)
Broadcasting tower, antenna and equipment	(7,124,645)	(115,117)	—	—	(7,239,762)
Vehicles	(1,277,441)	(124,452)	14,800	—	(1,387,093)
Total accumulated depreciation	(185,725,802)	(10,936,350)	523,818	—	(196,138,334)
Total capital assets being depreciated, net	111,409,273	11,588,276	(7,423)	—	122,990,126
Total capital assets	\$ 131,988,895	\$ 23,376,009	\$ (52,423)	\$ (21,568,026)	\$ 133,744,455

The University had approximately \$16,627,208 and \$30,417,000 at June 30, 2022 and 2021, respectively, in commitments for building construction and other contracts.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

6. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2022 and 2021:

	Balance July 1, 2021			Balance June 30, 2022		
	Balance	Additions	Reductions	Balance	Current Portion	Noncurrent Portion
Bonds, capital leases and loans:						
Building revenue bonds	\$ 50,145,000	\$ —	\$ 2,155,000	\$ 47,990,000	\$ 1,755,000	\$ 46,235,000
Direct financing lease	5,859,378	—	5,336,019	523,360	258,322	265,038
Lease liability	—	405,300	74,305	330,995	81,060	249,935
Total bonds, capital leases, and loans	56,004,378	405,300	7,565,324	48,844,355	2,094,382	46,749,973
Other noncurrent liabilities:						
Unamortized bond premium	1,696,230	—	259,092	1,437,137	—	1,437,138
Compensated absences	2,293,362	(105,388)	—	2,187,975	1,818,495	369,479
Unearned revenue	3,976,725	1,436,348	2,142,683	3,270,390	1,510,048	1,760,342
Total other noncurrent liabilities	7,966,317	1,330,960	2,401,775	6,895,502	3,328,543	3,566,960
Total noncurrent liabilities	\$ 63,970,695	\$ 1,736,260	\$ 9,967,099	\$ 55,739,857	\$ 5,422,925	\$ 50,316,932

	Balance July 1, 2020			Balance June 30, 2021		
	Balance	Additions	Reductions	Balance	Current Portion	Noncurrent Portion
Bonds, capital leases and loans:						
Building revenue bonds	\$ 41,775,000	\$ 20,850,000	\$ 12,480,000	\$ 50,145,000	\$ 2,155,000	\$ 47,990,000
Direct financing lease	6,768,347	—	908,968	5,859,378	930,337	4,929,042
Total bonds, capital leases and loans	48,543,347	20,850,000	13,388,968	56,004,378	3,085,337	52,919,042
Other noncurrent liabilities:						
Unamortized bond premium	741,365	1,270,541	315,677	1,696,230	—	1,696,230
Compensated absences	2,186,394	106,968	—	2,293,362	1,722,438	570,924
Unearned revenue	4,190,285	1,913,427	2,126,987	3,976,725	2,142,683	1,834,042
Total other noncurrent liabilities	7,118,044	3,290,936	2,442,664	7,966,317	3,865,121	4,101,196
Total noncurrent liabilities	\$ 55,661,391	\$ 24,140,936	\$ 15,831,632	\$ 63,970,695	\$ 6,950,458	\$ 57,020,238

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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 \$670,000 to \$1,340,000, and mature between July 1, 2024 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.

On May 5, 2021, the 2015A Series principal payments due July 1, 2021, July 1, 2022, and July 1, 2023, were defeased in full with proceeds of the Series 2021A-2 Refunding Revenue Bonds and Series 2021B Taxable Refunding Revenue Bonds.

Revenue Bonds - Series 2015B - Private Placement

On June 25, 2015, the University issued \$7,070,000 in Revenue Bonds, Series 2015B (the “2015B Series”), with a fixed interest rate of 2.1515% through June 30, 2025. The remaining outstanding 2015B Series bonds are due in annual principal payments ranging from \$355,000 to \$360,000 and mature between July 1, 2024 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.

On May 5, 2021, the 2015B Series principal payments due July 1, 2021, July 1, 2022, and July 1, 2023, were defeased in full with proceeds of the Series 2021A-2 Refunding Revenue Bonds and Series 2021B Taxable Refunding Revenue Bonds.

Revenue Bonds - Series 2018

On October 17, 2018, the University issued \$10,155,000 in Revenue Bonds, Series 2018 (“2018 Series”), with interest rates of 3.00% to 4.00%. The 2018 Series bonds are due in annual principal payments ranging from \$390,000 to \$680,000, and mature between July 1, 2022 and July 1, 2038. Interest payments are payable semi-annually.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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

Revenue Bonds - Series 2021A-1

On May 5, 2021, the University issued \$10,365,000 in Revenue Bonds, Series 2021A-1 (“2021A-1 Series”), with interest rates of 2.00% to 4.00%. The 2021A-1 Series bonds are due in annual principal payments ranging from \$365,000 to \$665,000, and mature between July 1, 2023 and July 1, 2042. Interest payments are payable semi-annually.

The 2021A-1 Series bonds maturing in the years 2032 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2032.

Refunding Revenue Bonds - Series 2021A-2

On May 5, 2021, the University issued \$3,675,000 in Refunding Revenue Bonds, Series 2021A-2 (“2021A-2 Series”), with interest rates of 2.00% to 4.00%. The 2021A-2 Series bonds are due in annual principal payments ranging from \$35,000 to \$555,000, and mature between July 1, 2024 and July 1, 2041. Interest payments are payable semi-annually.

The 2021A-2 Series bonds maturing in the years 2036 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2031.

Taxable Refunding Revenue Bonds - Series 2021B

On May 5, 2021, the University issued \$6,810,000 in Taxable Refunding Revenue Bonds, Series 2021B (“2021B Series”), with interest rates of 0.25% to 3.25%. The 2021B Series bonds are due in annual principal payments ranging from \$290,000 to \$1,765,000, and mature between July 1, 2022 and July 1, 2041. Interest payments are payable semi-annually.

The 2021B Series bonds maturing in the years 2036 and thereafter are subject to optional redemption and payment prior to maturity on any date on or after July 1, 2031.

Direct Financing Leases

On June 28, 2013, the University entered into a direct financing 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 \$4,508,289 and \$3,957,974 at June 30, 2022 and 2021, respectively. This lease was paid off early in December of 2021.

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

Lease Liability

During the year ended June 30, 2022, the University entered into a lease arrangement for buildings and related improvements. The lease contract expires July 2026. Payments on the lease are \$6,755 a month at an implied interest rate of 2.6%. The right-to-use assets are intangible assets and are recorded in Note 5. During 2022, the University paid \$74,305 in lease payments.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

The annual requirements to repay all bonds, (excluding the 2015B Series, which were privately placed) direct financing leases and other lease liabilities outstanding at June 30, 2022, including interest payments, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,094,382	\$ 1,649,595	\$ 3,743,977
2024	2,281,098	1,595,129	3,876,227
2025	2,066,060	1,519,471	3,585,531
2026	2,161,060	1,416,778	3,577,838
2027	2,171,755	1,316,817	3,488,572
2028-2032	10,240,000	5,267,915	15,507,915
2033-2037	12,085,000	3,173,569	15,258,569
2038-2042	10,950,000	894,980	11,844,980
	<u>\$ 44,049,355</u>	<u>\$ 16,834,254</u>	<u>\$ 60,883,609</u>

The annual requirements to repay the privately placed 2015B Series outstanding at June 30, 2022, including interest payments, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2023	\$ —	\$ 103,056	\$ 103,056
2024	355,000	103,056	458,056
2025	360,000	95,527	455,527
2026	370,000	87,781	457,781
2027	380,000	79,821	459,821
2028-2032	2,010,000	273,563	2,283,563
2033-2035	1,320,000	57,230	1,377,230
	<u>\$ 4,795,000</u>	<u>\$ 800,034</u>	<u>\$ 5,595,034</u>

Lessor

The University has entered into arrangements to lease cell towers owned by the University to others. The lease contracts expire at various dates through 2032, assuming that all renewal options are exercised by the lessee. During 2022 and 2021, the University received \$135,075 and \$144,559, respectively, in lease revenue which represents the total amount of inflows of resources recognized in the reporting period from leases.

7. Pension Plan

The University provides retirement benefits for substantially all employees through individual annuities with TIAA-CREF (the Plan). Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employee. The University contributes 10 percent of an employee's salary once the employee has one year of service at the University or any other institution that previously offered a TIAA-CREF plan. The employee's contribution into the Plan is at the discretion of the employee. Certain employees are required to contribute a fixed percentage to the Plan; the percentage is dependent on the employee's annual salary. The Plan cost to the University for the years ended June 30, 2022 and 2021 was approximately \$4,418,000 and \$4,431,000, respectively.

8. Risk Management

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

Self-Funded Insurance

The University has established a fund for health insurance. The health insurance program began in October 2002 for all University employees. The health insurance fund is funded with contributions made during each payroll period from the University, its employees, and retirees. The rates are based on past historical costs for individual and family coverage and expected future claims. The plan is administered by a third party, which accumulates claims. During 2022 and 2021, 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, 2022 and 2021 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 cash balance in the health insurance fund as of June 30, 2022 and 2021 was approximately \$8,416,000 and \$8,383,000, respectively.

The changes in health care claims payable for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Claims payable - beginning of year	\$ 389,586	\$ 429,359
Incurred claims	7,585,408	6,843,018
Claim payments	(7,611,030)	(6,882,791)
<u>Claims payable - end of year</u>	<u>\$ 363,964</u>	<u>\$ 389,586</u>

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

9. Litigation and Contingencies

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

Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2015, the Department of Education (ED) stipulated that new loans may not be disbursed under the program; however, the Perkins Loan Extension Act of 2015 was passed in December 2015 extending the date for which Perkins Loans may be disbursed to September 30, 2017. Therefore, effective October 1, 2017, new loans may not be awarded under the program and will ultimately result in the closure of the program. If students receive a disbursement of a Perkins Loan after June 30, 2017 and before October 1, 2017 for the 2017 - 2018 award year, the student may not receive any subsequent disbursements of that Perkins Loan.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Pursuant to GASB accounting standards, the University has recorded previous contributions from the federal government for the program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program will result in the University recording an expense when returning previous federal contributions received under this program to the ED.

As a part of the program, each year a Distribution of Assets calculation is made by the ED to calculate any required amounts to be returned to the ED. Going forward, each year the ED will request the University to return the ED's interest in the cash restricted for the Perkins Loan program held by the University at each June 30. The request by the ED will be made subsequent to the submission of the FISAP, which is due by October 1 of each year following the most recent June 30 date. The University's cash restricted for the Perkins Loan Program for which all or a portion could be required to be returned in the 2022-2023 fiscal year totaled approximately \$93,011 at June 30, 2022, 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, 2023 have not been accrued at June 30, 2022 and will be recognized in expense in the year ended June 30, 2023 when funds are returned.

10. 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, 2022 and 2021.

Condensed Combined Statements of Net Position
June 30, 2022

	Washburn University	Washburn Tech	Eliminations	Combined
Assets:				
Current assets	\$ 64,173,640	\$ 11,919,963	\$ —	\$ 76,093,603
Noncurrent assets	181,285,392	6,512,455	—	187,797,847
Total Assets	245,459,032	18,432,418	—	263,891,450
Liabilities:				
Current liabilities	13,496,142	1,033,803	—	14,529,945
Noncurrent liabilities	49,797,262	519,670	—	50,316,932
Total Liabilities	63,293,404	1,553,473	—	64,846,877
Deferred Inflows of Resources	992,176	—	—	992,176
Net Position:				
Net investment in capital assets	88,680,433	6,062,265	—	94,742,698
Restricted - nonexpendable	25,986,927	—	—	25,986,927
Restricted - expendable	14,346,946	2,571,638	—	16,918,584
Unrestricted	52,159,146	8,245,042	—	60,404,188
Total Net Position	\$ 181,173,452	\$ 16,878,945	\$ —	\$ 198,052,397

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Condensed Combined Statements of Net Position June 30, 2021 (Restated)

	Washburn University	Washburn Tech	Eliminations	Combined
Assets:				
Current assets	\$ 63,925,399	\$ 8,311,333	\$ —	\$ 72,236,732
Noncurrent assets	183,722,926	6,574,261	—	190,297,187
Total Assets	247,648,325	14,885,594	—	262,533,919
Liabilities:				
Current liabilities	12,886,643	659,985	—	13,546,628
Noncurrent liabilities	56,889,028	131,209	—	57,020,237
Total Liabilities	69,775,671	791,194	—	70,566,865
Deferred Inflows of Resources	847,669	—	—	847,669
Net Position:				
Net investment in capital assets	84,056,174	6,519,074	—	90,575,248
Restricted - nonexpendable	31,075,913	—	—	31,075,913
Restricted - expendable	20,511,718	1,629,785	—	22,141,503
Unrestricted	41,381,180	5,945,541	—	47,326,721
Total Net Position	\$ 177,024,985	\$ 14,094,400	\$ —	\$ 191,119,385

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, 2022

	Washburn University	Washburn Tech	Eliminations	Combined
Operating Revenues:				
Tuition and fees	\$ 30,607,047	\$ 2,836,965	\$ —	\$ 33,444,012
Auxiliary enterprises	6,446,057	—	—	6,446,057
Other operating revenues	2,790,241	219,474	(100,100)	2,909,615
Total Operating Revenues	39,843,345	3,056,439	(100,100)	42,799,684
Operating Expenses:				
Education and general	76,119,279	11,280,571	(1,104,943)	86,294,907
Depreciation and amortization	9,434,098	1,590,974	—	11,025,072
Financial aid	7,993,830	535,349	—	8,529,179
Auxiliary enterprises	4,127,756	—	—	4,127,756
Self-insurance claims, net of premiums	6,819,518	—	1,004,843	7,824,361
Total Operating Expenses	104,494,481	13,406,894	(100,100)	117,801,275
Operating Loss	(64,651,136)	(10,350,455)	—	(75,001,591)
Nonoperating Revenues (Expenses):				
State and local appropriations	46,376,986	9,750,263	—	56,127,249
Grants and contracts	25,232,862	2,047,685	—	27,280,547
Gifts	9,888,833	297,901	—	10,186,734
Investment income	(5,281,251)	23,815	—	(5,257,436)
Interest on indebtedness	(1,470,287)	(993)	—	(1,471,280)
Other nonoperating expenses	(5,402,513)	(30,393)	—	(5,432,906)
Net Nonoperating Revenues	69,344,630	12,088,278	—	81,432,908
Income (Loss) Before Other Revenues	4,693,494	1,737,823	—	6,431,317
Capital Grant and Gifts	251,478	—	—	251,478
Transfers	(1,046,722)	1,046,722	—	—
Additions to permanent endowments	250,217	—	—	250,217
Change in Net Position	4,148,467	2,784,545	—	6,933,012
Net Position - Beginning of Year	177,024,985	14,094,400	—	191,119,385
Net Position - End of Year	\$ 181,173,452	\$ 16,878,945	\$ —	\$ 198,052,397

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, 2021 (Restated)

	Washburn University	Washburn Tech	Eliminations	Combined
Operating Revenues:				
Tuition and fees	\$ 31,619,438	\$ 2,565,726	\$ —	\$ 34,185,164
Auxiliary enterprises	6,019,137	—	—	6,019,137
Other operating revenues	2,294,564	191,526	(100,000)	2,386,090
Total Operating Revenues	39,933,139	2,757,252	(100,000)	42,590,391
Operating Expenses:				
Education and general	72,339,595	10,874,911	(1,118,892)	82,095,614
Depreciation and amortization	9,455,062	1,481,288	—	10,936,350
Financial aid	4,430,476	504,264	—	4,934,740
Auxiliary enterprises	4,002,698	—	—	4,002,698
Self-insurance claims, net of premiums	6,784,813	—	1,018,892	7,803,705
Total Operating Expenses	97,012,644	12,860,463	(100,000)	109,773,107
Operating Loss	(57,079,505)	(10,103,211)	—	(67,182,716)
Nonoperating Revenues (Expenses):				
State and local appropriations	42,075,586	8,221,573	—	50,297,159
Grants and contracts	23,399,981	2,966,656	—	26,366,637
Gifts	13,965,560	217,859	—	14,183,419
Investment income	5,681,088	1,840	—	5,682,928
Interest on indebtedness	(1,913,050)	(2,347)	—	(1,915,397)
Other nonoperating expenses	(1,173,863)	21,326	—	(1,152,537)
Net Nonoperating Revenues	82,035,302	11,426,907	—	93,462,209
Income (Loss) Before Other Revenues	24,955,797	1,323,696	—	26,279,493
Capital Grant and Gifts	229,256	—	—	229,256
Additions to permanent endowments	41,221	—	—	41,221
Change in Net Position	25,226,274	1,323,696	—	26,549,970
Net Position - Beginning of Year	151,798,711	12,770,704	—	164,569,415
Net Position - End of Year	\$ 177,024,985	\$ 14,094,400	\$ —	\$ 191,119,385

11. COVID-19

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and individuals throughout the United States. Further, financial markets have recently experienced significant volatility attributed to COVID-19 concerns. The continued spread of COVID-19 may adversely impact the local, regional, and national economies. The extent to which COVID-19 impacts the University's financial results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent upon the breadth and duration of any forthcoming outbreaks, and the agility of the University's response to the changing needs of our students and staff. Accordingly, management cannot presently estimate the overall operational and financial impact to the University, but such an impact could have material adverse effect on the financial condition of the University.

12. Washburn University Foundation - Accounting Policies and Disclosures

Basis of Financial Presentation

The Foundation's consolidated financial statements include the accounts of the Foundation, the LLC, and the Fund in accordance with accounting principles generally accepted in the United States of America. All significant intercompany transactions have been eliminated in consolidation.

The Foundation uses the accrual method of accounting.

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

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

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

Fair Value Measurement

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

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

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

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The fair value of the securities included in Level 1 include equity securities that are traded on an active exchange and are valued at the quoted market prices based on the last sale price on the measurement date. The fair value of the securities included in Level 2 include U.S. government obligations that are valued using pricing models maximizing the use of observable inputs for similar securities, as provided by the broker, a Federally Insured Cash Account that is valued using pricing models, as provided by the investment fund, and life insurance policies that are valued based on information provided by the life insurance companies.

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

Management evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2022 and 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

Investments

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

The Foundation has a policy of pooling assets for investment purposes, unless donor restrictions prohibit such pooling. The Foundation allocates a portion of investment income from pooled assets to support the Foundation's operations. The amount of investment income allocated for fiscal year 2022 and 2021 was approximately \$1,931,000 and \$1,030,000, respectively. The remaining investment return from pooled assets was generally allocated to each fund in the pool based on its relative market value.

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 consolidated statement of financial position and consolidated statement of activities.

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

Pledges Receivable - Promises to Give

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

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

Accounting Pronouncement

Effective July 1, 2021, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This accounting standard requires new presentation and disclosure standards for gifts-in-kind. Adoption of the new standard did not have a material impact on the Foundation's financial statements.

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:

	2022			
	Total	Level 1	Level 2	Level 3
Investments carried at fair value:				
U.S. equity	\$ 9,534,582	\$ 9,534,582	\$ —	\$ —
International equity	3,962,143	3,962,143		
Fixed income	4,585,330		4,585,330	
Cash management	3,933,912		3,933,912	
Life insurance policies	1,778,964		1,778,964	
Other	225,560			225,560
Total	<u>\$ 24,020,491</u>	<u>\$ 13,496,725</u>	<u>\$ 10,298,206</u>	<u>\$ 225,560</u>
Investments at NAV	<u>120,951,829</u>			
Total investments carried at fair value	<u>144,972,320</u>			
Private equity investments	22,000,638			
Private real estate investments	5,597,944			
Total at cost	<u>27,598,582</u>			
Total investments	<u>\$ 172,570,902</u>			
	2021			
	Total	Level 1	Level 2	Level 3
Investments carried at fair value:				
U.S. equity	\$ 10,179,009	\$ 10,179,009	\$ —	\$ —
International equity	4,491,488	4,491,488		
Fixed income	5,060,628		5,060,628	
Cash management	3,728,415		3,728,415	
Life insurance policies	1,665,344		1,665,344	
Other	224,078			224,078
Total	<u>25,348,962</u>	<u>\$ 14,670,497</u>	<u>\$ 10,454,387</u>	<u>\$ 224,078</u>
Investments at NAV	<u>140,524,777</u>			
Total investments carried at fair value	<u>165,873,739</u>			
Private equity investments	20,627,934			
Private real estate investments	5,543,335			
Total at cost	<u>26,171,269</u>			
Total investments	<u>\$ 192,045,008</u>			

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2022</u>	<u>2021</u>
Beginning fair value	\$ 224,078	\$ 218,054
Sales		
Net change in value	1,482	6,024
<u>Ending fair value</u>	<u>\$ 225,560</u>	<u>\$ 224,078</u>

Investments at NAV

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

Description	June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 21,502,355	None	Monthly, quarterly	10-60 days
International equity (b)	22,078,028	None	Semi-monthly, monthly	6-31 days
Global equity (c)	19,339,861	None	Weekly, every three years	6-126 days
Alternatives (d)	30,787,707	None	Monthly, quarterly, annually	10-90 days
Public real estate (e)	8,554,497	None	Monthly	15-30 days
Fixed income (f)	18,689,381	None	Daily	1-2 days
	<u>\$ 120,951,829</u>			

Description	June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equity (a)	\$ 26,299,758	None	Monthly	15-30 days
International equity (b)	27,915,062	None	Semi-monthly, monthly, quarterly	6-45 days
Global equity (c)	22,867,753	None	Monthly	6 days
Alternatives (d)	34,365,291	None	Semi-monthly, monthly, quarterly, annually	2-90 days
Public real estate (e)	9,082,196	None	Monthly	15-30 days
Fixed income (f)	19,994,717	None	Daily, monthly	2-5 days
	<u>\$ 140,524,777</u>			

- (a) This category includes investments in an offshore fund, limited partnership with strategies, including ex Small Cap Growth, Opportunistic, and long/short funds (130/30).

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

Private Placement Investments

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

The Foundation's private placement investments are susceptible to changes in the U.S. and foreign economies. Management evaluates each investment, considering the near-term prospects of the investee, the age of the investment, and the Foundation's estimated future cash inflows from the investments. As a result of this evaluation, in previous years it was determined that the value of various private investments were determined to be impaired and, accordingly, the carrying value of these investments was reduced. The cumulative impairment adjustments on these investments since inception total \$4,541,738, none of which occurred during 2021 or 2022.

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

The private placement investees provide the Foundation with capital account information based on the estimated value of the underlying investments. The cumulative value as reported by the investees totaled approximately \$49,654,000 as of June 30, 2022, which indicates a net unrealized gain of \$22,055,058. The net unrealized gain is composed of gross unrealized gains of \$22,203,061 and gross unrealized losses of \$(148,003).

The Foundation has unfunded commitments on private placement investment funds of approximately \$22,000,000 at June 30, 2022.

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

Investment Return

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

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 2,888,994	\$ 3,304,017
Net realized gain	3,051,290	6,801,639
Change in net unrealized (loss) gain	(18,529,828)	19,661,022
Investment expense	(728,670)	(902,355)
	<u>\$ (13,318,214)</u>	<u>\$ 28,864,323</u>

Pledges Receivable

The Foundation estimates pledges receivable will be collected as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 3,096,065	\$ 2,995,411
Receivable in one to five years	8,063,525	7,185,569
Thereafter	13,759,282	13,963,330
	<u>24,918,872</u>	<u>24,144,310</u>
Less allowance for uncollectible pledges	(100,029)	(127,245)
Less unamortized discount	(6,200,277)	(3,393,506)
	<u>\$ 18,618,566</u>	<u>\$ 20,623,559</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

Pledges receivable (after discount) from a single donor total approximately \$10,185,000 and \$12,461,000 at June 30, 2022 and 2021, respectively. Pledges receivable are discounted at 3.6% and 1.2% in 2022 and 2021, respectively, except for one long-term pledge (17 years) in the amount of approximately \$3,971,000, which is discounted at a rate of 4.8% in 2022 and 3.4% in 2021.

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

	<u>2022</u>	<u>2021</u>
Pledges receivable, beginning	\$ 20,623,559	\$ 13,670,273
New pledges	3,924,746	12,240,680
Pledge payments received	(2,979,252)	(2,709,792)
Pledges written off	(63,036)	(41,626)
Transfers to bequest receivable	—	(550,000)
Reclassifications and change in discount	(2,887,451)	(1,985,976)
<u>Pledges receivable, ending</u>	<u>\$ 18,618,566</u>	<u>\$ 20,623,559</u>

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

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

Beneficial Interests in Trusts

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

	<u>2022</u>	<u>2021</u>
Perpetual trusts	\$ 8,144,016	\$ 9,725,074
Charitable remainder trusts	144,491	180,422
Charitable lead trust	636,182	974,223
	<u>\$ 8,924,689</u>	<u>\$ 10,879,719</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	2022	2021
Beginning fair value	\$ 10,879,719	\$ 9,303,610
Distributions to Foundation	(612,670)	(587,595)
Change in value in beneficial interest	(1,342,360)	2,163,704
Ending fair value	\$ 8,924,689	\$ 10,879,719

Net Assets and Agency Funds

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

2022	With Donor Restrictions			Without Donor Restrictions	Foundation Total Net Assets	Agency Funds (Related Parties)	Total	%
	Perpetual	Spendable	Pledge Receivables					
Scholarship	\$ 71,498,175	\$ 5,334,326	\$ 3,012,647	\$ —	\$ 79,845,148	\$ 24,147,479	\$ 103,992,627	50.4 %
Student support	928,013	504,597	98,151	—	1,530,761	85,868	1,616,629	0.8
Program support	19,662,102	4,937,585	2,281,875	—	26,881,562	3,158,307	30,039,869	13.8
Faculty support	4,233,922	166,641	—	—	4,400,563	203,964	4,604,527	2.3
Professorship/Chairs	11,877,274	—	304,743	—	12,182,017	3,516,130	15,698,147	8.2
Capital	1,705,792	12,030,500	12,900,058	—	26,636,350	89,975	26,726,325	10.1
Restricted for time purposes	—	—	5,568	—	5,568	3,468	9,036	0.1
Area of greatest need:								
Undesignated	—	—	—	14,800,216	14,800,216	3,642,500	18,442,716	9.4
Other	—	(97,838)	—	—	(97,838)	—	(97,838)	0.2
Perpetual endowment	5,528,353	—	—	—	5,528,353	2,245,220	7,773,573	3.3
Undistributed income subject to spending policy	2,643,321	—	—	—	2,643,321	(407,126)	2,236,195	1.4
	\$ 118,076,952	\$ 22,875,811	\$ 18,603,042	\$ 14,800,216	\$ 174,356,021	\$ 36,685,785	\$ 211,041,806	100.0 %

2021	With Donor Restrictions			Without Donor Restrictions	Foundation Total Net Assets	Agency Funds (Related Parties)	Total	%
	Perpetual	Spendable	Pledge Receivables					
Scholarship	\$ 80,623,141	\$ 3,824,138	\$ 3,917,222	\$ —	\$ 88,364,501	\$ 28,114,985	\$ 116,479,486	50.4 %
Student support	1,095,090	432,466	134,988	—	1,662,544	92,399	1,754,943	0.8
Program support	22,583,929	4,246,377	1,240,383	—	28,070,689	3,577,696	31,648,385	13.8
Faculty support	4,929,008	151,399	—	—	5,080,407	238,962	5,319,369	2.3
Professorship/Chairs	13,023,637	550,000	423,099	—	13,996,736	4,250,823	18,247,559	8.2
Capital	1,956,857	9,811,336	14,860,465	—	26,628,658	134,394	26,763,052	10.1
Restricted for time purposes	—	—	30,400	—	30,400	14,169	44,569	0.1
Area of greatest need:								
Undesignated	—	—	—	16,580,745	16,580,745	4,155,168	20,735,913	9.4
Other	—	1,933,763	—	—	1,933,763	—	1,933,763	0.2
Perpetual endowment	4,038,469	—	—	—	4,038,469	2,236,618	6,275,087	3.3
Undistributed income subject to spending policy	4,280,781	—	—	—	4,280,781	(62,549)	4,218,232	1.4
	\$ 132,530,912	\$ 20,949,479	\$ 20,606,557	\$ 16,580,745	\$ 190,667,693	\$ 42,752,665	\$ 233,420,358	100.0 %

Endowment Funds

The Foundation's endowment consists of approximately 800 funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds that the Foundation must hold in perpetuity. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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

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

The Foundation has a policy of appropriating for distribution an amount which normally makes available a percentage (4.55% in 2022 and 4.65% in 2021) of the twenty-one quarter moving average of the market value of the endowment pool. These computations are completed quarterly and commence with the September quarter-end prior to the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's primary objective of providing Washburn University with stable and predictable support for students and programs. To attain this goal, the Foundation seeks to grow the aggregate portfolio funds in perpetuity through investment earnings and growth through new gifts.

In February 2022, the Foundation's Board of Directors reviewed and approved the distribution of earnings from all funds including underwater endowments.

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements (Continued)

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

	<u>2022</u>	<u>2021</u>
Fair value of underwater endowment funds	\$ 58,708,870	\$ 27,846,760
Original endowment gift amount	73,154,032	34,408,830
<u>Deficiencies of underwater endowment funds</u>	<u>\$ 14,445,162</u>	<u>\$ 6,562,070</u>

Composition and changes in endowment net assets for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2022 Total</u>
Endowment net assets, beginning of year	\$ 925,410	\$ 105,259,400	\$ 106,184,810
Investment return, net	(30,226)	(12,038,194)	(12,068,420)
Contributions	—	5,968,839	5,968,839
Appropriation of endowment assets for expenditure	(527,621)	(3,958,054)	(4,485,675)
Other changes:			
Release from time restriction	343,112	(343,112)	—
<u>Endowment net assets, end of year</u>	<u>\$ 710,675</u>	<u>\$ 94,888,879</u>	<u>\$ 95,599,554</u>

Composition and changes in endowment net assets for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2021 Total</u>
Endowment net assets, beginning of year	\$ 882,897	\$ 86,056,454	\$ 86,939,351
Investment return, net	139,050	21,970,886	22,109,936
Contributions	—	2,102,513	2,102,513
Appropriation of endowment assets for expenditure	(455,772)	(4,511,218)	(4,966,990)
Other changes:			
Release from time restriction	359,235	(359,235)	—
<u>Endowment net assets, end of year</u>	<u>\$ 925,410</u>	<u>\$ 105,259,400</u>	<u>\$ 106,184,810</u>

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

Related Parties

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

As of June 30, 2022 and 2021, the Foundation owes the University \$255,329 and \$221,730 respectively, for amounts related to outstanding billings on private gift funds and reimbursement of operating expenses.

During 2022 and 2021, the Foundation provided direct support in the amount of \$8,481,371 and \$11,562,205, respectively, 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 2022 and 2021. The contributed facilities and services are used for both program and support services and the fair value is estimated using the average price per square foot of similar rental listings.

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

	<u>2022</u>	<u>2021</u>
Fair market value of agency accounts, beginning of year	\$ 42,752,665	\$ 35,578,670
Contributions	574,638	313,066
Non-gift income	232,233	143,326
Investment return, net	(4,602,455)	9,453,444
Distributions	(1,803,030)	(1,958,162)
<u>Expense allocation for administration and fundraising</u>	<u>(468,266)</u>	<u>(777,679)</u>
<u>Fair market value of agency accounts, end of year</u>	<u>\$ 36,685,785</u>	<u>\$ 42,752,665</u>

13. Washburn Law School Foundation - Accounting Policies and Disclosures

Basis of Accounting and Presentation

The Law Foundation uses the accrual method of accounting.

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

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

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

Accounting Pronouncements Adopted

Effective July 1, 2021, the Foundation adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This accounting standard requires new presentation and disclosure standards for gifts-in-kind. Adoption of the new standard did not have a material impact on the Foundation's financial statements.

Investments Held at Washburn University Foundation

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

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

WASHBURN UNIVERSITY OF TOPEKA

Notes to Financial Statements *(Continued)*

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 and the statement of activities.

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

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 73,338	\$ 169,604
Net realized gain	206,005	463,155
Change in unrealized (loss) gain	(1,224,133)	1,370,373
Investment expense	(46,731)	(59,950)
	<u>\$ (991,521)</u>	<u>\$ 1,943,182</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Page 1 of 4

For the Year Ended June 30, 2022

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	Assistance Listing Number	Amount	Passed Through To Subrecipients
U.S. Department of Education					
Student Financial Aid Cluster					
Washburn University					
Federal Direct Student Loans	U.S. Department of Education		84.268	\$ 24,826,763	\$ —
Federal Supplemental Educational Opportunity Grant Program	U.S. Department of Education		84.007	154,187	—
Federal Work-Study Program	U.S. Department of Education		84.033	159,549	—
Federal Perkins Loan Program	U.S. Department of Education		84.038	443,023	—
Federal Pell Grant Program	U.S. Department of Education		84.063	6,809,297	—
Washburn Institute Of Technology					
Federal Direct Student Loans	U.S. Department of Education		84.268	1,265,850	—
Federal Work-Study Program	U.S. Department of Education		84.033	562	—
Federal Pell Grant Program	U.S. Department of Education		84.063	905,092	—
Total Student Financial Aid Cluster				\$ 34,564,323	\$ —

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 2 of 4

For the Year Ended June 30, 2022

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	Assistance Listing Number	Amount	Passed Through To Subrecipients
Other U.S. Department Of Education					
Washburn University					
Career and Technical Education -- Basic Grants to States	U.S. Department of Education/ Kansas Board of Regents	V048A190016 & V048A180016	84.048A	113,393	—
Washburn Institute Of Technology					
Career and Technical Education -- Basic Grants to States	U.S. Department of Education/ Kansas Board of Regents	V048A190016 & V048A180016	84.048A	222,946	—
Subtotal of 84.048A - Career and Technical Education				336,339	—
Washburn University					
Higher Education Institutional Aid	U.S. Department of Education				
Title III Strengthening Institutions		P031F180097	84.031F	380,231	—
Education Stabilization Fund					
	U.S. Department of Education				
COVID-19 Higher Education Emergency Relief Fund - Student Aid		P425D203272	84.425E	6,832,886	—
COVID-19 Higher Education Emergency Relief Fund - Student Aid		P425D203272	84.425E	354,350	—
COVID-19 Higher Education Emergency Relief Fund - Institutional Aid		P425F202789	84.425F	6,689,136	—
COVID-19 Higher Education Emergency Relief Fund - SIP		P425M200419	84.425M	1,018,040	—
Subtotal of 84.425 - Education Stabilization Fund				14,894,412	—
Washburn Institute Of Technology					
Adult Education - Basic Grants to States	U.S. Department of Education / Kansas Board of Regents	V002A190016	84.002A	254,544	—
Total Other U.S. Department Of Education				15,865,526	—
Total U.S. Department Of Education				50,429,849	—

See the notes to schedule of expenditures of federal awards.

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 3 of 4

For the Year Ended June 30, 2022

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	Assistance Listing Number	Amount	Passed Through To Subrecipients
U.S. Department of Health and Human Services					
Washburn University					
Research And Development Cluster					
Biomedical Research and Research Training	National Institutes of Health / University of Kansas Medical Center	2P20GM103418-19	93.859	\$ 115,542	\$ —
Washburn University					
Advanced Nursing Education Grant Program	U.S. Department of Health and Human Services	T94HP30883	93.247	559,012	
Nurse Education, Practice and Retention Grants	U.S. Department of Health and Human Services	UK1HP31737 & 1T1PHP39128-01-00	93.359	652,270	—
Washburn Institute Of Technology					
Child Care and Development Block Grant - Indirect CCDF Cluster	U.S. Department of Health and Human Services / Child Care Aware of Kansas	NA	93.575	30,800	
Total U.S. Department of Health and Human Services				1,242,082	—
Washburn Institute Of Technology					
Mid America Manufacturing Technology Centers, Inc	U.S Department of Commerce passed through Mid America Manufacturing Tech Center	70NANB17H009	11.611	29,000	
Washburn University					
Volunteers in Service to America	Corporation for National and Community Service	17VSWKS004	94.013	61,256	—

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*

Page 4 of 4

For the Year Ended June 30, 2022

Cluster/Program	Federal Agency/ Pass-Through Entity	Pass-Through Entity Identifying Number/ Grant Number	Assistance Listing Number	Amount	Passed Through To Subrecipients
Small Business Development Center	Small Business Administration / Fort Hays State University	SBAHQ-15-B-0001/0001	59.037	\$ 203,903	\$ —
USAID Foreign Assistance for Programs Overseas	U.S. Agency for International Development / East-West Management Institute, Inc.	G-1218-15-100-3024-20 / AID-114-A-15-00004	98.001	887	—
Mulvane Art Museum ARP	National Endowment for the Humanities/ Humanities Kansas	ZPA-284049-22	45.149	46,222	—
Total Expenditures of Federal Awards				\$ 52,128,741	\$ —

WASHBURN UNIVERSITY OF TOPEKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2022

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 \$371,528 as no new loans were issued during the year ended June 30, 2022.

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, 2022.

3. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.
4. Of the federal expenditures presented in this schedule, the University provide no federal awards to subrecipients.

**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 the business-type activities and the discretely presented component units of Washburn University of Topeka (the University) as of and for the year ended June 30, 2022, 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 12, 2022.

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.

Report On 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) as a basis for designing 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.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 financial statements. 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 12, 2022

**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

Opinion On 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 the University's major federal program for the year ended June 30, 2022. The University's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis For Opinion On Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities Of Management For Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditors' Responsibilities For The Audit Of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report On 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 12, 2022

WASHBURN UNIVERSITY OF TOPEKA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

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
COVID-19 Higher Education Emergency Relief Fund – Student Aid	84.425E
COVID-19 Higher Education Emergency Relief Fund – Institutional Aid	84.425F
COVID-19 Higher Education Emergency Relief Fund – SIP	84.425M

The threshold used to distinguish between Type A and Type B programs was \$1,563,862.

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, 2022

Section II - Financial Statement Findings

None

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, 2022

Finding No.	CFDA No.	Program	Condition	Current Year Status
			None	

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 1 - REVENUES, EXPENDITURES, AND COMPARISON WITH BUDGET

General Fund

For the Years Ended June 30, 2022 and 2021

	<u>FY 2022 Budget</u>	<u>FY 2022 Actual</u>	<u>FY 2021 Actual</u>
Revenues:			
Tuition and fees	\$ 50,001,935	\$ 48,084,464	\$ 47,589,585
Income from endowment fund	440,941	1,033,747	1,069,879
Sales tax and other taxes	19,829,693	19,829,693	18,495,748
State appropriations	12,445,988	14,160,614	12,445,987
Other income	3,282,496	2,949,382	2,912,406
Use of reserves	2,726,273	—	—
Total Revenues	<u>88,727,326</u>	<u>86,057,900</u>	<u>82,513,605</u>
Expenditures:			
Instruction	40,834,506	32,360,481	33,523,377
Public service, academic support and research	13,998,558	15,651,890	14,625,345
Student services	11,131,944	12,198,625	10,815,412
Institutional support	7,025,716	6,832,448	6,097,930
Maintenance of plant	8,557,383	8,210,405	7,212,678
Scholarships and fellowships	4,448,044	7,156,793	7,087,372
Other expenses and transfers	8,731,175	338,627	4,301,531
Total Expenditures	<u>94,727,326</u>	<u>82,749,269</u>	<u>83,663,645</u>
Change in Net Position	<u>\$ (6,000,000)</u>	3,308,631	(1,150,040)
Net Position - Beginning of Year		<u>16,373,779</u>	<u>17,523,819</u>
Net Position - End of Year		<u>\$ 19,682,410</u>	<u>\$ 16,373,779</u>

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 2 - REVENUES, EXPENDITURES, AND COMPARISON WITH BUDGET

Debt Retirement and Construction Fund For the Years Ended June 30, 2022 and 2021

	<u>FY 2022 Budget</u>	<u>FY 2022 Actual</u>	<u>FY 2021 Actual</u>
Revenues:			
Ad valorem property and other taxes	\$ 4,283,545	\$ 5,514,591	\$ 4,689,628
Bond Proceeds	—	—	11,213,313
Transfer from other funds - debt service	<u>5,043,256</u>	<u>8,418,528</u>	<u>3,899,597</u>
Total Revenues	<u>9,326,801</u>	<u>13,933,119</u>	<u>19,802,538</u>
Expenditures:			
Bond principal	2,155,000	2,155,000	2,140,000
Lease principal	678,562	251,776	908,967
Interest and commissions on bonds	1,776,259	1,730,373	1,968,588
Transfers for construction, repairs or equipping of new or existing buildings	4,500,000	15,077,671	3,463,000
ESCO principal payoff		5,084,244	—
Other expense	<u>—</u>	<u>152,527</u>	<u>336,775</u>
Total Expenditures	<u>9,109,821</u>	<u>24,451,591</u>	<u>8,817,330</u>
Change in Net Position	<u>\$ 216,980</u>	(10,518,473)	10,985,208
Net Position - Beginning of Year		<u>11,815,494</u>	<u>830,286</u>
Net Position - End of Year		<u>\$ 1,297,021</u>	<u>\$ 11,815,494</u>

Note: Net position balance at June 30, 2021 included unspent Series 2021A-1 Revenue Bond proceeds that were restricted for and used to fund the Law School Building project during FY2022.

WASHBURN UNIVERSITY OF TOPEKA

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

Tort Claim Liability Fund

For the Years Ended June 30, 2022 and 2021

	FY 2022 Budget	FY 2022 Actual	FY 2021 Actual
Revenues:			
Ad valorem property and other taxes	\$ 602,025	\$ 547,928	\$ 389,027
Investment income	5,000	—	—
Total Revenues	607,025	547,928	389,027
Expenditures:			
Insurance premium	190,000	275,184	311,469
Litigation expense	200,000	—	—
Other expense	490,000	216,606	142,314
Total Expenditures	880,000	491,790	453,783
Change in Net Position	\$ (272,975)	56,138	(64,756)
Net Position - Beginning of Year		487,604	552,360
Net Position - End of Year		\$ 543,742	\$ 487,604

WASHBURN UNIVERSITY OF TOPEKA

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

Sales Tax Smoothing Fund

For the Years Ended June 30, 2022 and 2021

	<u>FY 2022 Budget</u>	<u>FY 2022 Actual</u>	<u>FY 2021 Actual</u>
Revenues:			
Sales tax and other taxes	\$ 2,600,000	\$ 4,743,579	\$ 4,622,566
Expenditures:			
Transfer to building construction fund	4,000,000	—	—
Transfer to capital improvement fund	500,000	—	—
Other expense	2,000,000	—	—
Total Expenditures	<u>6,500,000</u>	<u>—</u>	<u>—</u>
Change in Net Position	<u>\$ (3,900,000)</u>	4,743,579	4,622,566
Net Position - Beginning of Year		<u>19,280,755</u>	<u>14,658,189</u>
Net Position - End of Year		<u>\$ 24,024,334</u>	<u>\$ 19,280,755</u>

WASHBURN UNIVERSITY OF TOPEKA

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

Capital Improvement Fund

For the Years Ended June 30, 2022 and 2021

	<u>FY 2022 Budget</u>	<u>FY 2022 Actual</u>	<u>FY 2021 Actual</u>
Revenues:			
Sales tax revenue transfers	\$ 890,000	\$ 890,000	\$ 890,000
Transfer from smoothing fund	500,000	—	—
Transfer from general fund	250,000	—	—
Total Revenues	<u>1,640,000</u>	<u>890,000</u>	<u>890,000</u>
Expenditures:			
Capital expenses	250,000	—	—
Non-mandatory transfers	890,000	890,000	890,000
Other expense	500,000	—	—
Total Expenditures	<u>1,640,000</u>	<u>890,000</u>	<u>890,000</u>
Change in Net Position	<u>\$ —</u>	—	—
Net Position - Beginning of Year		<u>—</u>	<u>—</u>
Net Position - End of Year		<u>\$ —</u>	<u>\$ —</u>

WASHBURN UNIVERSITY OF TOPEKA

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

Washburn Institute of Technology

General Fund

For the Years Ended June 30, 2022 and 2021

	FY 2022 Budget	FY 2022 Actual	FY 2021 Actual
Revenues:			
Tuition and fees	\$ 3,817,170	\$ 3,673,983	\$ 3,354,478
Vocational state aid	8,234,884	8,959,626	8,045,258
Vocational capital outlay	171,351	171,351	176,315
Interest on investments	25,500	23,815	1,840
Other sales and services	284,510	219,951	191,761
Use of reserves	750,000	—	—
Total Revenues	13,283,415	13,048,726	11,769,652
Expenditures:			
Instruction	6,965,603	5,879,871	5,752,260
Academic support	1,300,306	1,011,365	901,725
Student services	1,196,394	1,019,626	1,023,201
Institutional support	763,533	816,109	818,848
Maintenance of plant	1,696,383	1,740,275	1,503,341
Other expenses and transfers	2,361,196	281,822	803,675
Total Expenditures	14,283,415	10,749,068	10,803,050
Change in Net Position	\$ (1,000,000)	2,299,658	966,602
Net Position - Beginning of Year		5,972,871	5,006,269
Net Position - End of Year		\$ 8,272,529	\$ 5,972,871

WASHBURN UNIVERSITY OF TOPEKA

SCHEDULE 7 - REVENUES, EXPENDITURES, AND COMPARISON WITH BUDGET

Auxiliary Enterprises

For the Years Ended June 30, 2022 and 2021

	<u>FY 2022 Budget</u>	<u>FY 2022 Actual</u>	<u>FY 2021 Actual</u>
Revenues:			
Room rental income	\$ 4,071,922	\$ 3,565,990	\$ 3,302,770
Ichabod Shop	3,479,300	2,222,727	2,068,984
Dining	—	442,279	354,480
Other Income	—	760,000	710,000
Total Revenues	<u>7,551,222</u>	<u>6,990,996</u>	<u>6,436,234</u>
Expenditures:			
Debt Service	2,044,552	1,963,689	2,605,378
Salaries, wages and benefits	1,541,408	1,447,436	1,248,838
Cost of goods sold	1,473,400	1,711,566	1,530,116
Utilities, telephone and cable	1,057,818	698,834	708,341
Repairs and maintenance	255,607	269,516	341,186
Scholarships	188,684	173,747	181,623
Supplies and materials	158,040	85,507	65,420
Insurance	98,647	113,316	98,093
Other expense	2,133,066	201,642	249,991
Total Expenditures	<u>8,951,222</u>	<u>6,665,253</u>	<u>7,028,986</u>
Change in Net Position	<u>\$ (1,400,000)</u>	325,743	(592,752)
Net Position - Beginning of Year		<u>2,495,581</u>	<u>3,088,333</u>
Net Position - End of Year		<u>\$ 2,821,324</u>	<u>\$ 2,495,581</u>