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***KTWU TELEVISION***  
***A PUBLIC TELECOMMUNICATIONS***  
***ENTITY OPERATED BY***  
***WASHBURN UNIVERSITY OF TOPEKA***  
***FINANCIAL STATEMENTS***  
***JUNE 30, 2012***

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## Independent Auditors' Report

Board of Regents  
Washburn University of Topeka  
Topeka, Kansas

We have audited the accompanying financial statements of KTWU Television (KTWU), a Public Telecommunications Entity Operated by Washburn University of Topeka (the University) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of KTWU are intended to present the financial position and the changes in the financial position and cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of KTWU. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2012 and 2011 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTWU as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audits were conducted for the purpose of forming an opinion on KTWU's basic financial statements. The accompanying schedule of functional expenses 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 basic financial statements. The schedule of functional expenses 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RubinBrown LLP*

Overland Park, Kansas  
December 12, 2012

**KTWU TELEVISION  
A PUBLIC TELECOMMUNICATIONS ENTITY  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2012**

KTWU is a non-commercial educational television station serving 35 counties in eastern Kansas, 12 counties in northwest Missouri and one county in northeast Oklahoma. KTWU broadcasts 24 hours a day, providing a diversified service of digital programming for children, adult learners, educators and general audience viewing. KTWU serves over 170,000 households in the 138th designated market area according to Nielsen's station index and is licensed under Washburn University of Topeka.

This section of KTWU's annual financial report presents a discussion and analysis of the station's financial performance during the year ended June 30, 2012 and comparative data for the fiscal years ended June 30, 2011 and 2010. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Management is responsible for the objectivity and integrity of the accompanying financial statements and footnotes, and this discussion and analysis.

**Financial Highlights Of The Fiscal Year Ended June 30, 2012**

- KTWU ended the year with total assets of \$4,981,767 and liabilities of \$509,028 compared to \$5,070,583 and \$521,447, respectively, at June 30, 2011. Net assets, which represent the residual interest in KTWU's assets after liabilities are deducted, were \$4,472,739 at June 30, 2012. This is a decrease of \$76,397 from last year's net assets of \$4,549,136.
- Operating revenues were \$324,051 and operating expenses were \$3,975,360, resulting in a loss from operations of \$3,651,309. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 34 does not present a complete picture of KTWU's operation until combined with non-operating revenues. Non-operating revenues, including the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB), were \$3,574,912, which, when combined with other revenue sources and the loss from operations, resulted in an overall decrease of \$76,397 in net assets, compared to a decrease of \$127,439 for the year ended June 30, 2011.

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Management's Discussion And Analysis (*Continued*)

### **Financial Highlights Of The Fiscal Year Ended June 30, 2011**

- KTWU ended the year with total assets of \$5,070,583 and liabilities of \$521,447 compared to \$5,246,391 and \$569,816, respectively, at June 30, 2010. Net assets, which represent the residual interest in KTWU's assets after liabilities are deducted, were \$4,549,136 at June 30, 2011. This is a decrease of \$127,439 from the previous year's net assets of \$4,676,575.
- Operating revenues were \$342,976 and operating expenses were \$4,064,495, resulting in a loss from operations of \$3,721,519. This loss may create confusion because operating gain or loss as defined by GASB Statement No. 34 does not present a complete picture of KTWU's operation until combined with non-operating revenues. Non-operating revenues, including the state operating grant and community service and interconnection grants from the Corporation for Public Broadcasting (CPB), were \$3,594,080, which, when combined with other revenue sources and the loss from operations, resulted in an overall decrease of \$127,439 in net assets, compared to a decrease of \$509,680 for the year ended June 30, 2010.

### **The Statement Of Net Assets**

The Statement of Net Assets presents the financial position of KTWU at the end of the fiscal year and includes all assets and liabilities of KTWU. The difference between total assets and total liabilities - net assets - is one indicator of the current financial condition of KTWU, while the change in net assets 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 or historical cost.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of KTWU. They are also able to determine how much KTWU owes vendors. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by KTWU.

Net assets are divided into three major categories. The first category, invested in capital assets, provides KTWU's equity in capital assets - the property and equipment owned by KTWU. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources (endowment funds) is only available for investment purposes. Expendable restricted net assets are available for expenditure by KTWU but must be spent for purposes as specified by the external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available for use by KTWU for any legal purpose.

## KTWU TELEVISION

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### Management's Discussion And Analysis (Continued)

#### Condensed Statements Of Net Assets As Of June 30, 2012 Through 2010

	2012	2011	2010
<b>Assets</b>			
Current assets	\$ 654,830	\$ 565,267	\$ 320,329
Other assets	1,116,827	1,233,781	1,154,447
Capital assets, net	3,210,110	3,271,535	3,771,615
	<u>4,981,767</u>	<u>5,070,583</u>	<u>5,246,391</u>
<b>Liabilities</b>			
Current liabilities	212,386	202,004	204,738
Noncurrent liabilities	296,642	319,443	365,078
	<u>509,028</u>	<u>521,447</u>	<u>569,816</u>
<b>Total Net Assets</b>	<u>\$ 4,472,739</u>	<u>\$ 4,549,136</u>	<u>\$ 4,676,575</u>
<b>Net Assets Consists Of</b>			
Invested in capital assets, net of debt	\$ 2,890,667	\$ 2,906,457	\$ 3,360,902
Restricted - nonexpendable	857,321	857,321	857,321
Restricted - expendable	248,656	257,039	302,145
Unrestricted	476,095	528,319	156,207
<b>Total Net Assets</b>	<u>\$ 4,472,739</u>	<u>\$ 4,549,136</u>	<u>\$ 4,676,575</u>

Significant assets consist of cash, receivables and restricted investments managed by Washburn University Foundation, equity in net assets of Washburn University Foundation and capital assets. Significant liabilities include accounts payable, accrued payroll and compensated absences.

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$654,830, \$565,267 and \$320,329, respectively, at June 30, 2012, 2011 and 2010. Total current assets at June 30, 2012, 2011 and 2010 covered current liabilities 3.1 times, 2.8 times and 1.5 times, respectively, an indicator of excellent liquidity.

Capital assets, which represented 64.4, 64.5 and 71.9 percent of total assets at June 30, 2012, 2011 and 2010, respectively, represent the asset's historical cost net of accumulated depreciation.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes funds held for the purchase of digital television equipment, grants received and funds for special projects.

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

#### The Statement Of Revenues, Expenses And Changes In Net Assets

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

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

The statements below provide an illustration of revenues by source (both operating and non-operating), which were used to fund KTWU's operating activities for the years ended June 30, 2012, 2011 and 2010.

#### Condensed Statement Of Revenues, Expenses And Changes In Net Assets For The Years Ended June 30, 2012 Through 2010

	2012	2011	2010
Operating revenues	\$ 324,051	\$ 342,976	\$ 317,462
Operating expenses	3,975,360	4,064,495	4,208,458
	(3,651,309)	(3,721,519)	(3,890,996)
Nonoperating revenues and expenses	3,574,912	3,594,080	3,199,895
Loss before other revenues	(76,397)	(127,439)	(691,101)
Other revenues	—	—	181,421
Decrease in net assets	(76,397)	(127,439)	(509,680)
Net assets at beginning of year	4,549,136	4,676,575	5,186,255
Net assets at end of year	\$ 4,472,739	\$ 4,549,136	\$ 4,676,575



# KTWU TELEVISION

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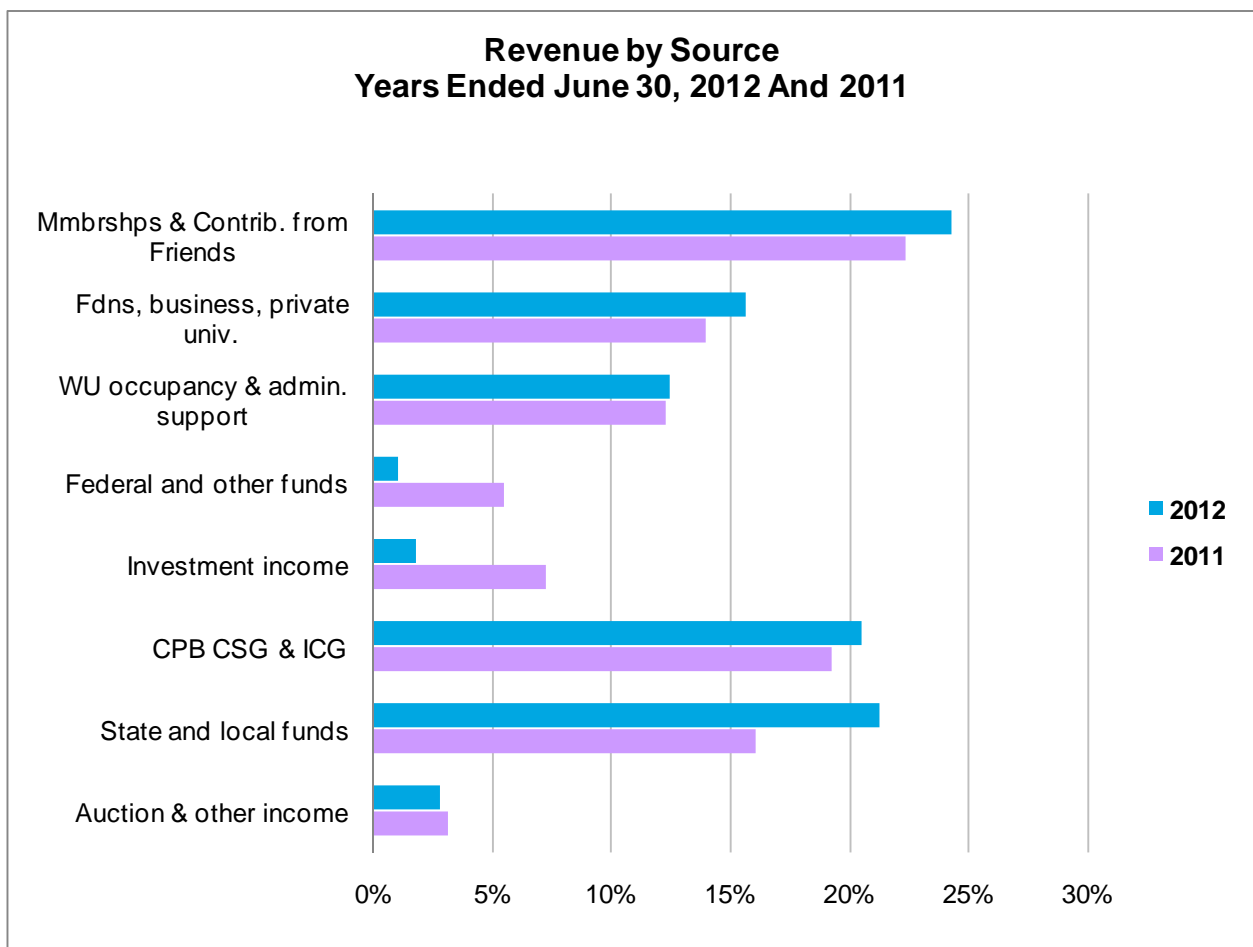
## Management's Discussion And Analysis (Continued)

### Fiscal Year 2012 Compared To Fiscal Year 2011

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$76,397 during the year ended June 30, 2012 compared to a decrease in net assets of \$127,439 during fiscal year 2011. Some highlights of the information in these statements follows.

#### Revenues

The following graphic illustration of revenues by source (both operating and non-operating) represents revenues used to fund KTWU's operating activities for the years ended June 30, 2012 and 2011.



## KTWU TELEVISION

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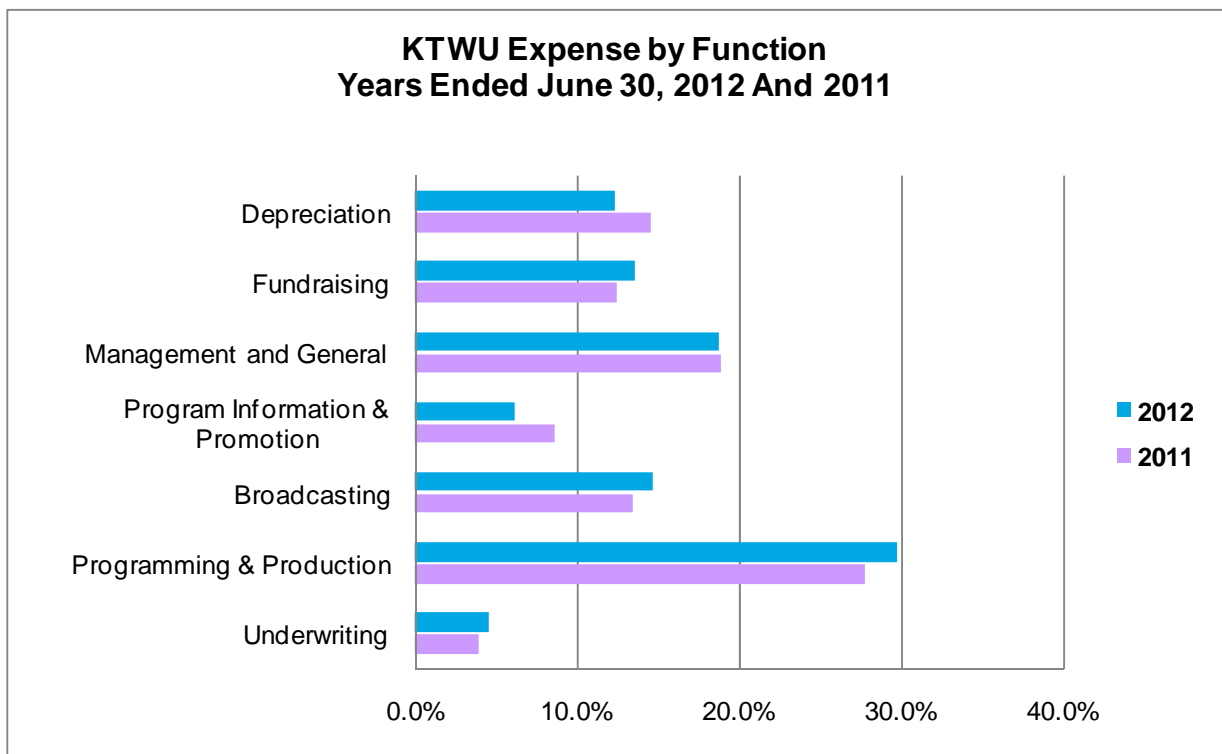
### Management's Discussion And Analysis (*Continued*)

The community service grant and the interconnection grant received from CPB and individual memberships and contributions comprised 44.8 percent of KTWU's revenue for the year ended June 30, 2012 compared to 41.6 percent for the year ended June 30, 2011. State and local funds accounted for 21.3 percent of revenue for the year ended June 30, 2012 compared to 16.1 percent for the year ended June 30, 2011.

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

### Expenses

The following graphic illustration of expenses by function displays KTWU's expenses to operate the station for the years ended June 30, 2012 and 2011.



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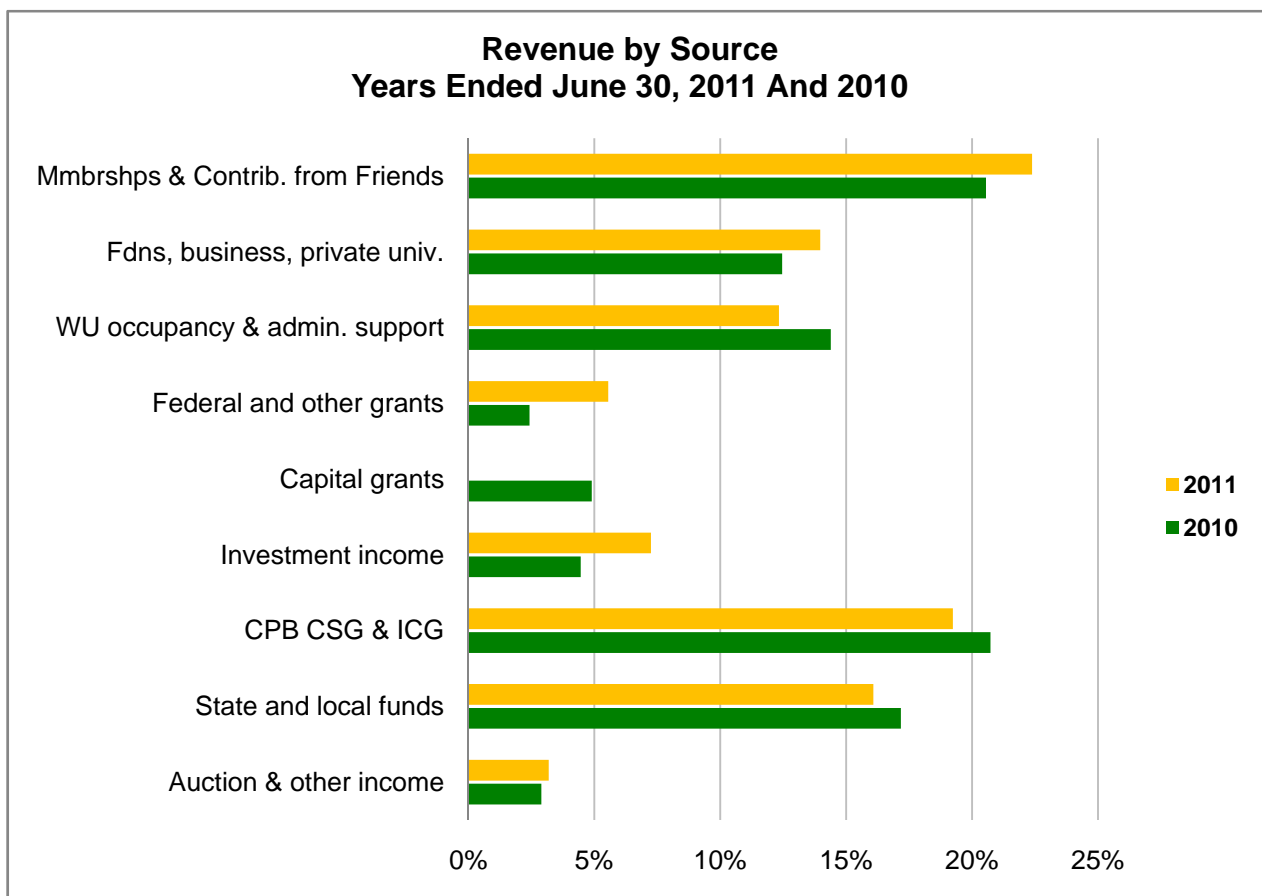
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### Management's Discussion And Analysis (*Continued*)

Program services expenses (programming and production, broadcasting, and program information and promotion) account for 50.7 percent of KTWU's expenses for the year ended June 30, 2012 compared to 49.9 percent for the year ended June 30, 2011. Support services expenses (management and general, fundraising, underwriting and depreciation) account for 49.3 percent of expenses for the year ended June 30, 2012 compared to 50.1 percent for the year ended June 30, 2011. KTWU's effort to control expenses is reflected in the overall reduction of total expenses for the year.

### Fiscal Year 2011 Compared To Fiscal Year 2010

The Statements of Revenues, Expenses and Changes in Net Assets reflect a decrease in net assets of \$127,439 during 2011 compared to a decrease of \$509,680 during 2010. Some highlights of the information are provided in the statements that follow.



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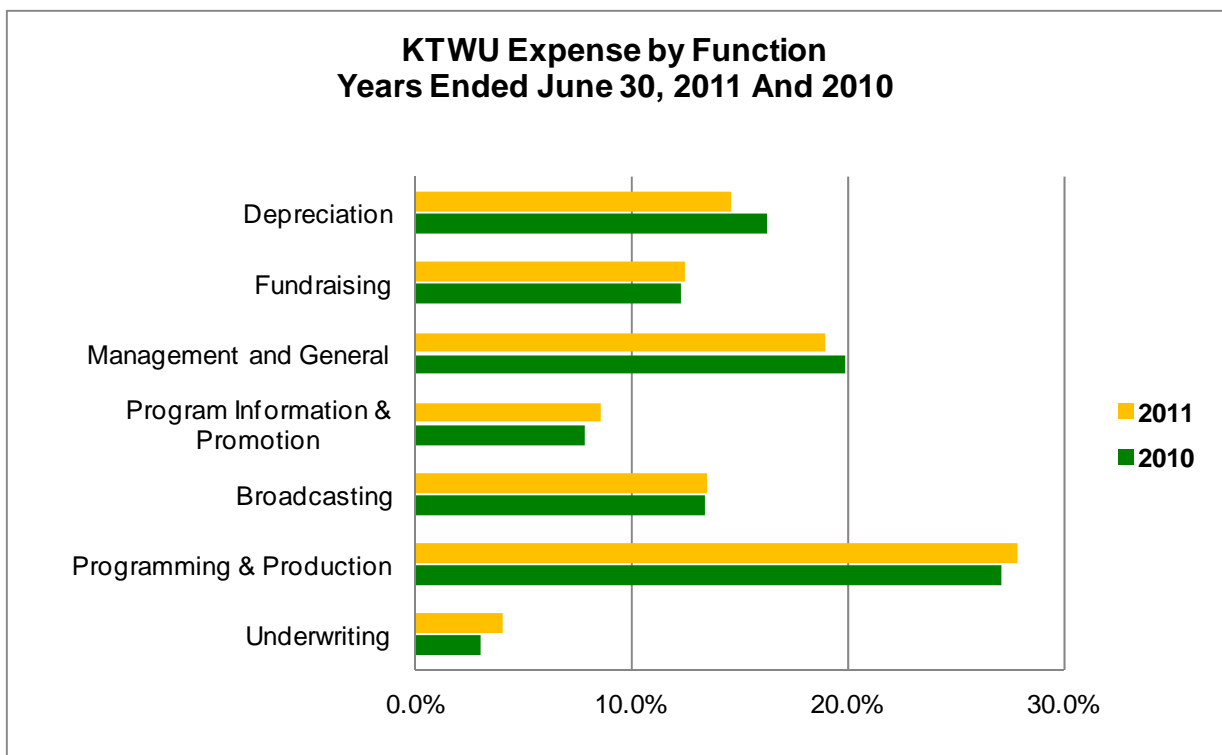
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### Management's Discussion And Analysis (*Continued*)

Memberships and contributions comprised 22.4 percent of KTWU's revenue for the year ended June 30, 2011 compared to 20.6 percent for the year ended June 30, 2010, while 14.0 percent is attributed to funds received from businesses and non-profit agencies for the year ended June 30, 2011 compared to 12.5 percent for the year ended June 30, 2010. The increase in these areas reflects KTWU's efforts to find new funding sources at the local level.

### Expenses

The following graphic illustration of expenses by function compares KTWU's expenses to operate the station for the years ended June 30, 2011 and 2010.



Program services expenses (programming and production, broadcasting, and program information and promotion) account for 49.9 percent of KTWU's expenses for the year ended June 30, 2011 compared to 48.3 percent for the year ended June 30, 2010. Support services expenses (management and general, fundraising, underwriting and depreciation) account for 50.1 percent of expenses for the year ended June 30, 2011 compared to 51.7 percent for the year ended June 30, 2010.

## **KTWU TELEVISION**

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

#### **The Statement Of Cash Flows**

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

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

Even though GASB No. 34 treats the majority of KTWU's revenue, CPB grants, state and local funds and memberships to name a few, as non-operating revenues, these cash flows are critical to funding the operations of KTWU.

#### **Condensed Statement Of Cash Flows As Of June 30, 2012 Through 2010**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Cash provided by (used in):			
Operating activities	\$ (2,518,377)	\$ (2,694,801)	\$ (2,742,039)
Noncapital financing activities	3,030,350	2,768,590	2,579,242
Capital and related financing activities	(412,299)	32,421	35,650
Investing activities	15,393	146,500	144,889
Net increase in cash	115,067	252,710	17,742
Cash - Beginning Of Year	349,075	96,365	78,623
Cash - End Of Year	\$ 464,142	\$ 349,075	\$ 96,365

#### **Fiscal Year 2012 Compared To Fiscal Year 2011**

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 \$115,067 for the fiscal year ended June 30, 2012 compared to an increase of \$252,710 for the fiscal year ended June 30, 2011.

## KTWU TELEVISION

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

#### Fiscal Year 2011 Compared To Fiscal Year 2010

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 \$252,710 for the fiscal year ended June 30, 2011 compared to an increase of \$17,742 for the fiscal year ended June 30, 2010.

#### Capital Assets

KTWU has a decrease in capital assets during fiscal years 2012 and 2011. At June 30, 2012, KTWU had \$3,210,110 invested in capital assets, net of accumulated depreciation, compared to \$3,271,535 and \$3,771,615 at June 30, 2011 and 2010, respectively. Depreciation charges totaled \$487,173 for the fiscal year ended June 30, 2012 compared to \$593,239 and \$687,563 for the fiscal years ended June 30, 2011 and 2010, respectively. Details of these assets are as follows:

**Condensed Statement Of Capital Assets, Net Of Depreciation  
As Of June 30, 2012 Through 2010**

	2012	2011	2010
Land	\$ 27,176	\$ 27,176	\$ 27,521
Buildings and towers	2,394,448	2,339,322	2,429,322
Transmitter and antenna	462,319	505,790	549,261
Transmission and broadcast equipment	160,447	379,523	740,028
Office equipment	151,070	19,724	25,483
Projects in progress	14,650	—	—
	<u>\$ 3,210,110</u>	<u>\$ 3,271,535</u>	<u>\$ 3,771,615</u>

Major capital additions during the fiscal year ended June 30, 2012 include new lighting on the transmission tower and equipment purchased for digital broadcasting.

Major capital additions during the fiscal year ended June 30, 2011 were also equipment purchased for digital broadcasting.

#### Economic Outlook

Although KTWU continues to be affected by the current economy management believes that the station is in excellent financial condition and will continue to provide excellent service to its viewing audience. KTWU continues its efforts to increase its revenues through pledge drives and the annual auction, as well as applying for external grant funding to help offset the expense of purchasing new digital equipment as well as maintaining the existing equipment as it ages.

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### 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.

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**STATEMENT OF NET ASSETS**

Assets

	June 30,	
	2012	2011
<b>Current Assets</b>		
Cash and cash equivalents	\$ 464,142	\$ 349,075
Accounts receivable	157,665	165,736
Grants receivable	—	12,500
Prepaid expenses	11,698	30,197
Prepaid lease	21,325	7,759
<b>Total Current Assets</b>	<b>654,830</b>	<b>565,267</b>
<b>Noncurrent Assets</b>		
Receivable from Washburn University Foundation	766,339	841,255
Equity in the net assets of Washburn University Foundation	317,355	361,901
Prepaid lease and extended lease	33,133	30,625
Capital assets, net	3,210,110	3,271,535
<b>Total Noncurrent Assets</b>	<b>4,326,937</b>	<b>4,505,316</b>
<b>Total Assets</b>	<b>\$ 4,981,767</b>	<b>\$ 5,070,583</b>

Liabilities And Net Assets

<b>Current Liabilities</b>		
Accounts payable	\$ 20,959	\$ 36,852
DTV Loan from State of Kansas	45,635	45,635
Prepaid tower lease	44,534	4,796
Accrued payroll	9,843	23,670
Compensated absences	91,415	91,051
<b>Total Current Liabilities</b>	<b>212,386</b>	<b>202,004</b>
<b>Non-current Liabilities</b>		
DTV Loan from State of Kansas	273,808	319,443
Prepaid tower lease	22,834	—
<b>Total Non-current Liabilities</b>	<b>296,642</b>	<b>319,443</b>
<b>Total Liabilities</b>	<b>509,028</b>	<b>521,447</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,890,667	2,906,457
Restricted for		
Nonexpendable		
Endowments (gift value)	857,321	857,321
Expendable		
Other	248,656	257,039
Unrestricted	476,095	528,319
<b>Total Net Assets</b>	<b>4,472,739</b>	<b>4,549,136</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 4,981,767</b>	<b>\$ 5,070,583</b>



**KTWU TELEVISION**  
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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	For The Years	
	Ended June 30,	
	2012	2011
<b>Operating Revenues</b>		
Auction and special fundraising events	\$ 67,375	\$ 62,214
Tower lease payments	212,801	217,317
RTL workshops	1,445	1,100
Miscellaneous operating revenues	42,430	62,345
<b>Total Operating Revenues</b>	<b>324,051</b>	<b>342,976</b>
<b>Operating Expenses</b>		
Support services		
Management and general	746,921	772,614
Fundraising and membership development	543,955	509,081
Underwriting and grant solicitation	183,787	162,795
Program services		
Programming and production	1,182,487	1,130,073
Broadcasting	584,337	547,857
Program information and promotion	246,700	348,836
Depreciation	487,173	593,239
<b>Total Operating Expenses</b>	<b>3,975,360</b>	<b>4,064,495</b>
<b>Operating Loss</b>	<b>(3,651,309)</b>	<b>(3,721,519)</b>
<b>Nonoperating Revenues</b>		
Community services and interconnection grants from		
Corporation for Public Broadcasting	801,422	757,293
State and local funds	830,308	633,256
Federal grants	40,096	211,760
Other grants	2,560	6,680
Foundations, business and industry and		
private university contributions	397,008	269,105
Memberships and subscriptions	946,456	881,264
Donated facilities and administrative support		
from Washburn University of Topeka	485,542	485,522
Capital gain on sale of land	—	63,655
Investment income	71,520	285,545
<b>Total Nonoperating Revenues</b>	<b>3,574,912</b>	<b>3,594,080</b>
<b>Change In Net Assets</b>	<b>(76,397)</b>	<b>(127,439)</b>
<b>Net Assets - Beginning Of Year</b>	<b>4,549,136</b>	<b>4,676,575</b>
<b>Net Assets - End Of Year</b>	<b>\$ 4,472,739</b>	<b>\$ 4,549,136</b>

**KTWU TELEVISION**  
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**OPERATED BY WASHBURN UNIVERSITY OF TOPEKA**

**STATEMENT OF CASH FLOWS**

	For The Years Ended June 30,	
	2012	2011
<b>Cash Flows From Operating Activities</b>		
Other operating revenues	\$ 324,051	\$ 344,641
Payments to suppliers	(1,121,631)	(1,382,923)
Payments to employees	(1,720,797)	(1,656,519)
<b>Net Cash Used In Operating Activities</b>	<b>(2,518,377)</b>	<b>(2,694,801)</b>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends received	15,393	146,500
<b>Cash Flows From Noncapital Financing Activities</b>		
CPB funds, state and local funds	1,684,326	1,611,541
Underwriting and other revenues	399,568	275,785
Memberships and subscriptions	946,456	881,264
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>3,030,350</b>	<b>2,768,590</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	(366,664)	78,056
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>(412,299)</b>	<b>32,421</b>
<b>Increase In Cash And Cash Equivalents</b>	<b>115,067</b>	<b>252,710</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>349,075</b>	<b>96,365</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 464,142</b>	<b>\$ 349,075</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (3,651,309)	\$ (3,721,519)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	487,173	593,239
Donated facilities and administrative support from Washburn University of Topeka	485,542	485,522
Changes in assets and liabilities:		
Accounts receivable	76,665	(42,100)
Prepaid expenses and other assets	50,336	(7,209)
Accounts payable	46,679	(6,316)
Accrued payroll and compensated absences	(13,463)	3,582
<b>Net Cash Used In Operating Activities</b>	<b>\$ (2,518,377)</b>	<b>\$ (2,694,801)</b>

**KTWU TELEVISION  
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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 And 2011**

**1. Nature Of Operations And Summary Of Significant Accounting Policies**

**Nature Of Operations**

KTWU Television (KTWU) is operated by Washburn University of Topeka (the University) as a separate department of the University. All amounts contained in this report are included in the audited financial statements of the University, as of and for the years ended June 30, 2012 and 2011.

**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, regardless of the timing of related cash flows.

KTWU distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of KTWU are from auction activities, lease of tower space, workshops conducted for a fee, and miscellaneous operating activities. Operating expenses include the costs of providing the various programs, administrative expenses and depreciation on capital assets.

Nonoperating transactions include grants, contributions and memberships and subscriptions. These revenues are 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 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.

## **KTWU TELEVISION**

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### Notes To Financial Statements (*Continued*)

KTWU has elected to early-adopt the guidance of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement incorporates certain FASB and AICPA accounting and financial reporting guidance into GASB's authoritative literature. Business-type activities may apply, as "other accounting literature", post-November 30, 1989 FASB and AICPA pronouncements that do not conflict with or contradict GASB pronouncements. KTWU has chosen not to apply such FASB standards. Adoption of this statement had no impact on KTWU's financial statements.

### **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 assets. Accordingly, certain costs have been allocated among programming and support services benefited based on total personnel costs or other systematic basis.

### **Cash**

KTWU participates in the pooled cash account with the University.

### **Accounts Receivable**

Accounts receivable are carried at the original amount. Management considers all receivables to be collectible. Therefore, 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 Endowment Association**

Washburn University Foundation (WUF), an affiliate of Washburn University of Topeka, holds investments designated for KTWU. Only the earnings on these investments can be used for KTWU operations. The funds are included in the pooled investments of WUF. Fair value is determined by multiplying the fair value per share by the number of shares owned by KTWU as determined by WUF.

## **KTWU TELEVISION**

A Public Telecommunications Entity

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### Notes To Financial Statements (*Continued*)

#### **Capital Assets**

Capital assets, including projects in progress, are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as nonoperating gains or losses. KTWU capitalizes interest on the construction of capital assets when significant.

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

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

#### **Compensated Absences**

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

#### **Net Assets**

KTWU's net assets are classified as follows:

##### Invested in Capital Assets, Net of Related Debt

This represents KTWU's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

##### Restricted Net Assets - 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

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### Notes To Financial Statements (*Continued*)

#### Restricted Net Assets - 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 when they are needed.

#### Unrestricted Net Assets

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

### **Pension Plan**

The University provides retirement benefits for all of KTWU's employees who meet eligibility requirements through individual annuities with TIAA-CREF. Retirement benefits equal the amount accumulated to each employee's credit at the date of retirement. The costs of the Plan are shared by the University and the employees. Total expenses charged to KTWU by the University amounted to \$117,284 and \$120,653 for the years ended June 30, 2012 and 2011, 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 assets in the amount of \$485,542 and \$485,522 for the years ended June 30, 2012 and 2011, respectively. Occupancy costs are based on estimated fair values as per an appraisal; administrative costs are allocated based on expenditures.

### **Income Taxes**

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

## **KTWU TELEVISION**

A Public Telecommunications Entity

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Notes To Financial Statements (*Continued*)

### **Use Of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

### **Reclassification**

Certain 2011 balances have been reclassified to conform to the 2012 year presentation. These reclassifications had no effect on total net assets.

## **2. Deposits And Investments**

### **Deposits**

Custodial 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 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.

KTWU had no bank balances exposed to custodial credit risk at June 30, 2012 and 2011.

### **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.

## **KTWU TELEVISION**

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### Notes To Financial Statements (*Continued*)

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KTWU had no investments exposed to custodial credit risk at June 30, 2012 and 2011. KTWU currently does not maintain a formal investment policy that addresses credit or interest rate risk. However, management believes KTWU has complied with the State of Kansas' statutes and regulations regarding investment activity.

### **3. Receivable From Washburn University Foundation**

Receivable from WUF consists of KTWU's participation in investments managed by WUF in the amount of \$766,339 and \$841,255 at June 30, 2012 and 2011, 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, their share of WUF's investments is recorded as a receivable from WUF.

### **4. Equity In The Net Assets Of Washburn University Foundation**

At June 30, 2012 and 2011, KTWU had funds held by WUF in the amount of \$317,355 and \$361,901, respectively, which are held for purchases related to KTWU operations and for purchases related to digital programming. These funds are invested in money market accounts and are available immediately, or as needed by KTWU. These money markets are not rated.



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

**5. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2012 follows:

	2012				Balance - June 30, 2012
	Balance - July 1, 2011	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,176	\$ —	\$ —	\$ —	\$ 27,176
Projects in progress	—	—	14,650	—	14,650
Total capital assets, not being depreciated	27,176	—	14,650	—	41,826
Capital assets, being depreciated					
Buildings, tower and improvements	3,667,494	146,100	—	—	3,813,594
Transmitters and antenna Transmitters and broadcast equipment	936,271	—	—	—	936,271
Furniture and equipment	5,979,620	115,650	—	(17,566)	6,077,704
Total capital assets, being depreciated	414,404	149,348	—	(3,389)	560,363
Total capital assets, being depreciated	10,997,789	411,098	—	(20,955)	11,387,932
Less accumulated depreciation for					
Buildings, tower and improvements	(1,328,172)	(90,974)	—	—	(1,419,146)
Transmitters and antenna Transmitters and broadcast equipment	(430,481)	(43,471)	—	—	(473,952)
Furniture and equipment	(5,600,097)	(334,726)	—	17,566	(5,917,257)
Total accumulated depreciation	(394,680)	(18,002)	—	3,389	(409,293)
Total accumulated depreciation	(7,753,430)	(487,173)	—	20,955	(8,219,648)
Total capital assets being depreciated, net	3,244,359	(76,075)	—	—	3,168,284
Total capital assets	\$ 3,271,535	\$ (76,075)	\$ 14,650	\$ —	\$ 3,210,110

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

A summary of changes in capital assets for the year ended June 30, 2011 follows:

	2011				Balance - June 30, 2011
	Balance - July 1, 2010	Additions	Projects In Progress	Retirements/ Adjustments	
Capital assets, not being depreciated					
Land	\$ 27,521	\$ —	\$ —	\$ (345)	\$ 27,176
Capital assets, being depreciated					
Buildings, tower and improvements	3,667,494	—	—	—	3,667,494
Transmitters and antenna	936,271	—	—	—	936,271
Transmitters and broadcast equipment	5,925,352	93,504	—	(39,236)	5,979,620
Furniture and equipment	414,404	—	—	—	414,404
Total capital assets, being depreciated	10,943,521	93,504	—	(39,236)	10,997,789
Less accumulated depreciation for					
Buildings, tower and improvements	(1,238,172)	(90,000)	—	—	(1,328,172)
Transmitters and antenna	(387,010)	(43,471)	—	—	(430,481)
Transmitters and broadcast equipment	(5,185,324)	(454,009)	—	39,236	(5,600,097)
Furniture and equipment	(388,921)	(5,759)	—	—	(394,680)
Total accumulated depreciation	(7,199,427)	(593,239)	—	39,236	(7,753,430)
Total capital assets being depreciated, net	3,744,094	(499,735)	—	—	3,244,359
Total capital assets	\$ 3,771,615	\$ (499,735)	\$ —	\$ (345)	\$ 3,271,535

## 6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	Balance - June 30, 2011	Additions	Reductions	Balance - June 30, 2012	Current Portion
DTV Loan	\$ 365,078	\$ —	\$ (45,635)	\$ 319,443	\$ 45,635

## KTWU TELEVISION

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### Notes To Financial Statements (Continued)

During fiscal year 2009, KTWU received a loan from the State of Kansas Pooled Money Board for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. This loan is payable over 10 years, with payments due each July 31, beginning in 2009. The note bears a variable interest rate based on the highest rate at which state funds can be invested for one year. The interest rate resets February 1 of each year. The interest rate at June 30, 2012 was 0.24%, and will reset on February 1, 2013.

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

<b>For The Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 45,635	\$ 805	\$ 46,440
2014	45,635	673	46,308
2015	45,635	540	46,175
2016	45,635	408	46,043
2017	45,635	276	45,911
2018 - 2019	91,268	154	91,422
	<u>\$ 319,443</u>	<u>\$ 2,856</u>	<u>\$ 322,299</u>

## 7. Leases

KTWU rents certain space on its broadcast towers to outside parties, which run through December 2017. Total rents received under these agreements amounted to \$212,801 and \$217,317 for 2012 and 2011, respectively.

Remaining future minimum receipts under these lease agreements at June 30, 2012 are as follows:

<b>For The Year Ending June 30,</b>	<b>Lease Agreement</b>
2013	\$ 139,598
2014	135,307
2015	133,357
2016	134,557
2017	83,179
2018	22,244
	<u>\$ 648,242</u>

## **KTWU TELEVISION**

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Notes To Financial Statements (*Continued*)

### **8. Significant Estimates And Concentrations**

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

#### **Major Funding**

During 2012 and 2011, KTWU received approximately 21.6% and 19.2% respectively, of its operating and nonoperating revenues from the Corporation for Public Broadcasting.

#### **Risk Management**

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

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**Supplementary Information**

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**KTWU TELEVISION**  
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**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For The Years Ended June 30, 2012 And 2011**

	Support Services			Program Services			2012	2011
	Management And General	Fundraising And Membership Development	Underwriting And Grant Solicitation	Programming And Production	Broadcasting	Program Information And Promotion		
Salaries and employee benefits	\$ 189,874	\$ 355,090	\$ 141,697	\$ 559,874	\$ 324,884	\$ 135,914	\$ 1,707,333	\$ 1,660,100
Donated facilities and administrative support	444,417	—	—	—	41,125	—	485,542	485,522
Professional services	7,407	9,261	943	18,796	8,832	1,309	46,548	75,019
Telephone and fax	19,565	1	—	—	2,213	—	21,779	20,370
Postage and freight	3,792	20,344	5,572	1,207	377	775	32,067	33,401
Printing and copier	911	4,579	1,161	—	218	1,932	8,801	37,019
Materials and supplies	14,233	71,605	18,760	6,315	6,060	42,997	159,970	150,719
Dues	25,774	904	1	51,858	—	25,668	104,205	167,403
Program expenses	—	—	—	518,178	1,680	—	519,858	457,775
Equipment and equipment rent	9,211	641	176	4,902	14,753	928	30,611	25,403
Equipment repair and maintenance	124	7,891	2,174	—	17,198	400	27,787	12,460
Computer equipment and software	937	449	123	2,521	61,155	598	65,783	28,293
Vehicle expense	(1,170)	61	17	3,063	257	—	2,228	4,802
Credit card expense	—	11,646	—	—	—	—	11,646	9,459
Utilities, trash hauling and insurance	5,961	—	—	5,961	99,798	—	111,720	151,545
Buildings and grounds	10,638	209	52	34	3,606	—	14,539	14,151
Travel	6,016	10,314	1,908	4,594	2,163	2,505	27,500	26,934
Marketing and advertising	855	38,866	10,677	4,026	—	33,096	87,520	84,543
Other expenses	8,376	12,094	526	1,158	18	578	22,750	26,338
<b>Total Support And Program Services - 2012</b>	<b>\$ 746,921</b>	<b>\$ 543,955</b>	<b>\$ 183,787</b>	<b>\$ 1,182,487</b>	<b>\$ 584,337</b>	<b>\$ 246,700</b>	<b>\$ 3,488,187</b>	<b>\$ 3,471,256</b>
<b>Total Support And Program Services - 2011</b>	<b>\$ 772,614</b>	<b>\$ 509,081</b>	<b>\$ 162,795</b>	<b>\$ 1,130,073</b>	<b>\$ 547,857</b>	<b>\$ 348,836</b>		