
KTWU TELEVISION
A PUBLIC TELECOMMUNICATIONS
ENTITY OPERATED BY
WASHBURN UNIVERSITY OF TOPEKA
FINANCIAL STATEMENTS
JUNE 30, 2019

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Independent Auditors' Report

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Report On The Financial Statements

We have audited the accompanying financial statements of KTWU Television, a Public Telecommunications Entity Operated by Washburn University of Topeka (KTWU) as of and for the years then ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the KTWU's financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTWU, as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 4 to the financial statements, in 2019 KTWU changed its accounting for its interest in the Washburn University Foundation. Our opinion is not modified with respect to these matters.

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 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the 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

December 20, 2019

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

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, 2019 and comparative data for the fiscal years ended June 30, 2018 and 2017. 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.

Change in Accounting Principle

In an effort to adopt best practice, Washburn discontinued reporting "Interest in the Net Assets of the Washburn University Foundation" during Fiscal Year 2019. Doing so resulted in a \$768,908 adjustment to KTWU's beginning Net Position, but it allowed for its financial statement presentation to be more consistent with its peers and more closely align its reporting practices with those of the *Governmental Accounting Standards Board*. Legal title to the underlying assets remains with the Washburn University Foundation, and they will continue to be reported on its financial statements.

Financial Highlights for the Fiscal Year Ended June 30, 2019

KTWU ended the year with total assets of \$3,676,045 and liabilities of \$144,123 compared to \$4,503,776 and \$264,723, respectively, at June 30, 2018. Net position, which represents the residual interest in KTWU's assets after liabilities are deducted, was \$3,531,922 at June 30, 2019, a decrease of \$707,131 from last year's net position of \$4,239,053. When adjusted for the above referenced change in accounting principle, these amounts resulted in an increase in net position of \$61,777.

Operating revenues were \$435,953 and operating expenses were \$3,689,257 resulting in a loss from operations of \$3,253,304. 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, 2019, nonoperating revenues were \$3,315,081, which, when combined with the loss from operations, resulted in an overall increase of \$61,777 in net position, compared to a decrease of \$71,060 for the year ended June 30, 2018.

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

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Management's Discussion and Analysis (*Continued*)

A condensed comparison of the Station's assets, liabilities and net position as of June 30, 2019, 2018 and 2017 is presented below:

Condensed Statements of Net Position As of June 30, 2019, 2018 and 2017

	2019	2018	2017
Assets:			
Current assets	\$ 612,216	\$ 539,964	\$ 423,958
Other assets	841,440	1,616,298	1,567,951
Capital assets, net	2,222,389	2,347,514	2,542,748
Total Assets	3,676,045	4,503,776	4,534,657
Liabilities:			
Current liabilities	144,123	264,723	178,909
Noncurrent liabilities	—	—	45,635
Total Liabilities	144,123	264,723	224,544
Net Position:			
Net investment in capital assets	2,222,389	2,301,879	2,451,479
Restricted - nonexpendable	700,891	728,831	748,141
Restricted - expendable	39,486	504,816	842,610
Unrestricted	569,156	703,527	267,883
Total Net Position	\$ 3,531,922	\$ 4,239,053	\$ 4,310,113

Assets

Significant assets consist of cash, receivables, restricted investments managed by Washburn University Foundation, interest in the net assets of Washburn University Foundation (fiscal years 2018 and 2017), and capital assets.

Current assets, which consisted primarily of cash, receivables, and prepaid expenses, totaled \$612,216, \$539,964, and \$423,958, respectively, at June 30, 2019, 2018 and 2017. Total current assets at June 30, 2019, 2018 and 2017 covered current liabilities 4.3, 2.0, and 2.4 times, respectively, an indicator of good liquidity. Capital assets, which represented 60.5%, 52.1%, and 56.1% of total assets at June 30, 2019, 2018 and 2017, respectively, represent the assets' historical cost net of accumulated depreciation.

Liabilities

Significant liabilities include accounts payable, accrued payroll, compensated absences, unearned revenue, and a loan from the State of Kansas (fiscal years 2018 and 2017) used in prior years to purchase digital television transmission equipment.

KTWU TELEVISION

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Management's Discussion and Analysis (*Continued*)

Net Position

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund KTWU's activities for the years ended June 30, 2019, 2018 and 2017.

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Management's Discussion and Analysis (*Continued*)

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2019, 2018 and 2017

	2019	2018	2017
Operating revenues	\$ 435,953	\$ 393,050	\$ 348,591
Operating expenses	3,689,257	3,586,104	3,630,196
	(3,253,304)	(3,193,054)	(3,281,605)
Nonoperating revenues and expenses	3,315,081	3,121,994	3,236,587
Income (loss) before other revenues	61,777	(71,060)	(45,018)
Other revenues	—	—	3,793
Change in net position	61,777	(71,060)	(41,225)
Net position at beginning of year	4,239,053	4,310,113	4,351,338
Change in accounting principle	(768,908)	—	—
Net position at end of year	\$ 3,531,922	\$ 4,239,053	\$ 4,310,113

Fiscal Year 2019 Compared to Fiscal Year 2018

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position of \$61,777 during the year ended June 30, 2019, compared to a decrease in net position of \$71,060 during fiscal year 2018. Some highlights of the information in this statement follows.

Revenues

Revenues totaled \$3,751,034 and \$3,515,044 for the years ending June 30, 2019 and 2018, respectively. The \$235,990 increase is attributable primarily to an increase in production assistance revenue, as well as increases in contributions from foundations and businesses and state and local governments.

The community service grant and the interconnection grant received from CPB, memberships, and contributions comprised 52.3% of KTWU's revenue for the year ended June 30, 2019, compared to 53.3% for the year ended June 30, 2018. State and local funds accounted for 14.1% of revenue for the year ended June 30, 2019, compared to 12.6% for the year ended June 30, 2018.

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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 the cost for producing and purchasing programming (nationally, regionally, and locally) is greater.

Expenses

Operating expenses totaled \$3,689,257 and \$3,586,104 for the years ending June 30, 2019 and 2018, respectively. The \$103,153 increase is attributable primarily to an increase in programming and production.

Program services expenses (programming and production, broadcasting, and program information and promotion) accounted for 55.6% of KTWU's expenses for the year ended June 30, 2019, compared to 52.8% for the year ended June 30, 2018. Support services expenses (management and general, fundraising, underwriting and depreciation) accounted for 44.4% of expenses for the year ended June 30, 2019 compared to 47.2% for the year ended June 30, 2018.

Fiscal Year 2018 Compared to Fiscal Year 2017

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

Revenues

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

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

Expenses

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

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Management's Discussion and Analysis (*Continued*)

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

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.

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, 2019, 2018 and 2017

	2019	2018	2017
Cash provided by (used in):			
Operating activities	\$ (2,403,767)	\$ (2,678,088)	\$ (2,423,575)
Noncapital financing activities	2,580,493	2,335,688	2,548,497
Capital and related financing activities	(118,966)	(50,768)	(61,527)
Investing activities	218,154	251,706	146,453
Net change in cash	275,914	(141,462)	209,848
Cash - Beginning of Year	197,913	339,375	129,527
Cash - End of Year	\$ 473,827	\$ 197,913	\$ 339,375

KTWU TELEVISION

A Public Telecommunications Entity

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Management's Discussion and Analysis (*Continued*)

Fiscal Year 2019 Compared to Fiscal Year 2018

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 \$275,914 for the fiscal year ended June 30, 2019, compared to a decrease of \$141,462 for the fiscal year ended June 30, 2018. The increase was attributable to the timing of receipt of private funds from the Washburn University Foundation.

Fiscal Year 2018 Compared to Fiscal Year 2017

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

The cash position of KTWU decreased by \$141,462 for the fiscal year ended June 30, 2018, compared to an increase of \$209,848 for the fiscal year ended June 30, 2017.

Capital Assets

KTWU had a decrease in capital assets during fiscal years 2019 and 2018 of \$125,125 and \$195,234, respectively. At June 30, 2019, KTWU had \$2.22 million invested in capital assets, net of accumulated depreciation, compared to \$2.35 million and \$2.54 million at June 30, 2018 and 2017, respectively. Depreciation charges totaled \$198,456 for the fiscal year ended June 30, 2019, compared to \$200,367 and \$204,339 for the fiscal years ended June 30, 2018 and 2017, respectively. Details of these assets are as follows:

Condensed Statement of Capital Assets, Net of Depreciation As of June 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 27,176	\$ 27,176	\$ 27,176
Buildings and towers	1,841,190	1,944,040	2,046,889
Transmitter and antenna	158,020	201,491	244,962
Transmission and broadcast equipment	101,257	50,767	70,387
Office equipment	94,746	124,040	153,334
	<u>\$ 2,222,389</u>	<u>\$ 2,347,514</u>	<u>\$ 2,542,748</u>

There were no major capital additions during the fiscal years ended June 30, 2019, 2018 and 2017.

KTWU TELEVISION

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Management's Discussion and Analysis (*Continued*)

Economic Outlook

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

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

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

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

Requests For Information

This financial report is designed to provide the reader a general overview of the Station's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Chris Kuwitzky, Vice President for Administration and Treasurer, 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

Assets

	June 30,	
	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 473,827	\$ 197,913
Accounts receivable	127,659	319,572
Grants receivable	400	—
Prepaid expenses	8,230	20,379
Prepaid lease	2,100	2,100
Total Current Assets	612,216	539,964
Noncurrent Assets:		
Receivable from Washburn University Foundation	827,615	831,465
Interest in the net assets of Washburn University Foundation	—	768,908
Prepaid lease and extended lease	13,825	15,925
Capital assets, net	2,222,389	2,347,514
Total Noncurrent Assets	3,063,829	3,963,812
Total Assets	\$ 3,676,045	\$ 4,503,776

Liabilities And Net Position

Current Liabilities:		
Accounts payable	\$ 18,844	\$ 39,341
DTV loan from State of Kansas	—	45,635
Unearned revenue	3,776	65,927
Accrued payroll	25,499	23,238
Compensated absences	96,004	90,582
Total Current Liabilities	144,123	264,723
Net Position:		
Net investment in capital assets	2,222,389	2,301,879
Restricted for		
Nonexpendable		
Endowments (gift value)	700,891	728,831
Expendable		
Other	39,486	504,816
Unrestricted	569,156	703,527
Total Net Position	\$ 3,531,922	4,239,053

KTWU TELEVISION
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years	
	Ended June 30,	
	2019	2018
Operating Revenues:		
Auction and special fundraising events	\$ 90,195	\$ 70,299
Tower lease payments	178,307	204,109
Production assistance	164,824	109,945
Miscellaneous operating revenues	2,627	8,697
Total Operating Revenues	435,953	393,050
Operating Expenses:		
Support services		
Management and general	920,652	853,700
Fundraising and membership development	420,807	574,453
Underwriting and grant solicitation	99,151	63,460
Program services		
Programming and production	1,269,427	1,137,360
Broadcasting	592,840	564,340
Program information and promotion	187,924	192,424
Depreciation	198,456	200,367
Total Operating Expenses	3,689,257	3,586,104
Operating Loss	(3,253,304)	(3,193,054)
Nonoperating Revenues:		
Community services and interconnection grants from Corporation for Public Broadcasting	824,727	820,919
State and local funds	540,323	442,225
Federal grants	13,687	—
Other grants	10,000	13,500
Foundations, business and industry and other contributions	380,920	276,306
Memberships and subscriptions	802,672	777,985
Donated facilities and administrative support from Washburn University of Topeka	528,448	488,906
Investment income	214,304	302,153
Total Nonoperating Revenues	3,315,081	3,121,994
Change in Net Position	61,777	(71,060)
Net Position - Beginning of Year	4,239,053	4,310,113
Change in accounting principle	(768,908)	—
Net Position - End of Year	\$ 3,531,922	\$ 4,239,053

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

STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Other operating revenues	\$ 557,151	\$ 194,199
Payments to suppliers	(1,315,030)	(1,297,935)
Payments to employees	(1,645,888)	(1,574,352)
Net Cash Used in Operating Activities	(2,403,767)	(2,678,088)
Cash Flows Provided by Investing Activities		
Interest and dividends received	218,154	251,706
Cash Flows from Noncapital Financing Activities		
CPB funds, state and local funds	1,378,337	1,263,144
Underwriting and other revenues	390,920	289,806
Memberships and subscriptions	811,236	782,738
Net Cash Provided by Noncapital Financing Activities	2,580,493	2,335,688
Cash Flows from Capital and Related Financing Activities		
Payments on DTV loan	(45,635)	(45,635)
Purchases of capital assets & related activities	(73,331)	(5,133)
Net Cash Used in Capital and Related Financing Activities	(118,966)	(50,768)
Change in Cash and Cash Equivalents	275,914	(141,462)
Cash and Cash Equivalents - Beginning of Year	197,913	339,375
Cash and Cash Equivalents - End of Year	\$ 473,827	\$ 197,913
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (3,253,304)	\$ (3,193,054)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	198,456	200,368
Donated facilities and administrative support from Washburn University of Topeka	528,448	488,906
Changes in assets and liabilities:		
Accounts receivable	183,350	(258,467)
Prepaid expenses and other assets	14,249	(1,655)
Accounts payable	(20,497)	22,407
Accrued payroll and compensated absences	7,682	3,791
Unearned revenue	(62,151)	59,616
Net Cash Used in Operating Activities	\$ (2,403,767)	\$ (2,678,088)
Noncash Investing and Financing Activities		
Change in fair value of investments	\$ (3,850)	\$ 50,447

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019 and 2018.

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.

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Notes to Financial Statements (*Continued*)

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

Functional Allocation of Expenses

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

Cash 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, 2019 and 2018, 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.

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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 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

Compensated Absences

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

Net Position

KTWU's net position is classified as follows:

Net Investment in Capital Assets

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

Restricted Net Position - Nonexpendable

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

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Notes to Financial Statements (*Continued*)

Restricted Net Position - Expendable

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

Unrestricted Net Position

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

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 \$109,824 and \$108,622 for the years ended June 30, 2019 and 2018, 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 \$528,448 and \$488,906 for the years ended June 30, 2019 and 2018, respectively. Occupancy and administrative costs are based on estimated fair values.

Income Taxes

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

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Notes to Financial Statements (*Continued*)

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the 2018 balances to conform to the 2019 presentation. Such reclassifications were made for comparative purposes only. There were no changes to the total net position or to the change in the net position at June 30, 2018.

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, 2019 and 2018, KTWU's cash and cash equivalents were held in financial institutions. KTWU had no bank balances exposed to custodial credit risk at June 30, 2019 and 2018.

Investments

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

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Notes to Financial Statements (*Continued*)

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. KTWU had no investments exposed to custodial credit risk at June 30, 2019 and 2018. KTWU currently does not maintain a formal investment policy that addresses credit or interest rate risk. However, management believes KTWU has complied with the State of Kansas' statutes and regulations regarding investment activity.

3. Receivable from Washburn University Foundation

Receivable from Washburn University Foundation consists of KTWU's participation in investments managed by the Foundation in the amount of \$827,615 and \$831,465 at June 30, 2019 and 2018, respectively. As KTWU does not have title to these investments and their participation is not evidenced by a security agreement that can be exchanged or sold in an open market, its share of the Foundation's investments is recorded as a receivable from the Foundation.

4. Interest in the Net Assets of Washburn University Foundation

Effective July 1, 2018, the University elected to change its method of accounting for its Interest in the Net Assets of Washburn University Foundation. The change applied to KTWU, as a department of the University. Prior to the election, the University and KTWU presented its interest in the net assets of Washburn University Foundation as a separate account on its Statement of Net Position. The new method of accounting was adopted to conform the University's presentation to that of its peers. In accordance with GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the prior period financial statements have not been restated, and KTWU made an adjustment to reduce opening net position on July 1, 2018 by \$768,908. If the University had not elected this change in accounting principle, KTWU's change in net position for the year ended June 30, 2019 would be higher by approximately \$157,000.

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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, 2019 follows:

	2019				Balance - June 30, 2019
	Balance - July 1, 2018	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	5,656,721	73,331	—	—	5,730,052
Furniture and equipment	740,304	—	—	—	740,304
Total capital assets, being depreciated	11,301,179	73,331	—	—	11,374,510
Less accumulated depreciation for					
Buildings, tower and improvements	(2,023,843)	(102,850)	—	—	(2,126,693)
Transmitters and antenna	(734,780)	(43,471)	—	—	(778,251)
Transmitters and broadcast equipment	(5,605,954)	(22,841)	—	—	(5,628,795)
Furniture and equipment	(616,264)	(29,294)	—	—	(645,558)
Total accumulated depreciation	(8,980,841)	(198,456)	—	—	(9,179,297)
Total capital assets being depreciated, net	2,320,338	(125,125)	—	—	2,195,213
Total capital assets	\$ 2,347,514	\$ (125,125)	\$ —	\$ —	\$ 2,222,389

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Notes to Financial Statements (*Continued*)

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

	2018				Balance - June 30, 2018
	Balance - July 1, 2017	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	5,651,588	5,133	—	—	5,656,721
Furniture and equipment	740,304	—	—	—	740,304
Total capital assets, being depreciated	11,296,046	5,133	—	—	11,301,179
Less accumulated depreciation for					
Buildings, tower and improvements	(1,920,994)	(102,849)	—	—	(2,023,843)
Transmitters and antenna	(691,309)	(43,471)	—	—	(734,780)
Transmitters and broadcast equipment	(5,581,201)	(24,753)	—	—	(5,605,954)
Furniture and equipment	(586,970)	(29,294)	—	—	(616,264)
Total accumulated depreciation	(8,780,474)	(200,367)	—	—	(8,980,841)
Total capital assets being depreciated, net	2,515,572	(195,234)	—	—	2,320,338
Total capital assets	\$ 2,542,748	\$(390,468)	\$ —	\$ —	\$ 2,347,514

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

6. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2019 and 2018:

	Balance - June 30, 2018	Additions	Reductions	Balance - June 30, 2019	Due Within One Year
DTV Loan	\$ 45,635	\$ —	\$ (45,635)	\$ —	\$ —
	Balance - June 30, 2017	Additions	Reductions	Balance - June 30, 2018	Due Within One Year
DTV Loan	\$ 91,270	\$ —	\$ (45,635)	\$ 45,635	\$ 45,635

During fiscal year 2009, KTWU received a loan from the State of Kansas for \$456,348 to purchase digital television equipment and to provide matching funds for grants used for that purpose. The loan was payable over 10 years, with payments due each July 31, from 2009 through 2018. The loan had a variable interest rate based on the highest rate at which state funds could be invested for one year. The interest rate reset February 1 of each year and was 1.92% at June 30, 2018. The balance of the loan was \$45,635 at June 30, 2018, and the final payment of \$46,277, which included \$642 interest, was made during fiscal year 2019.

7. Leases

KTWU rents certain space on its broadcast towers to outside parties, with leases running through May 2027. Total rents received under these agreements amounted to \$178,307 and \$204,109 for 2019 and 2018, respectively.

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Notes to Financial Statements (*Continued*)

Remaining future minimum receipts under these lease agreements at June 30, 2019 are as follows:

	Lease
<u>For The Year Ending June 30, Agreement</u>	
2020	\$ 167,504
2021	144,981
2022	113,634
2023	88,018
2024	55,550
2025-2027	111,220
	<hr/>
	\$ 680,907

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 2019 and 2018, KTWU received approximately 21.5% and 23.4%, 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
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**SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018**

	Support Services			Program Services			2019	2018
	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Programming and Production	Broadcasting	Program Information and Promotion		
Salaries and employee benefits	\$ 283,306	\$ 233,417	\$ 96,913	\$ 583,756	\$ 361,796	\$ 94,382	\$ 1,653,570	\$ 1,578,143
Donated facilities and administrative support	497,571	—	—	—	30,877	—	528,448	488,906
Professional services	9,995	16,175	—	29,305	21,527	7,318	84,320	56,936
Telephone and fax	24,053	—	—	1,734	1,591	—	27,378	49,066
Postage and freight	320	12,594	1,547	2,376	66	1,615	18,518	23,307
Printing and copier	570	2,160	228	246	—	1,607	4,811	5,709
Materials and supplies	13,934	51,430	—	22,489	16,548	22,989	127,390	131,596
Dues	22,037	924	—	43,634	154	21,741	88,490	95,355
Program expenses	—	—	—	549,155	—	—	549,155	567,718
Equipment and equipment rent	10,041	—	—	3,446	8,367	—	21,854	15,631
Equipment repair and maintenance	—	—	—	—	38,142	—	38,142	30,080
Computer equipment and software	1,054	—	—	4,335	12,979	—	18,368	25,008
Vehicle expense	1,528	180	—	1,798	831	—	4,337	2,425
Credit card expense	—	14,598	—	—	—	—	14,598	13,965
Utilities, trash hauling and insurance	27,994	—	—	13	89,971	—	117,978	123,902
Buildings and grounds	3,074	—	—	—	7,865	—	10,939	14,612
Travel	9,908	15,434	463	13,740	118	—	39,663	18,163
Marketing and advertising	1,603	63,990	—	6,007	—	38,120	109,720	138,497
Other expenses	13,664	9,905	—	7,393	2,008	152	33,122	6,718
Total Support And Program Services - 2019	\$ 920,652	\$ 420,807	\$ 99,151	\$ 1,269,427	\$ 592,840	\$ 187,924	\$ 3,490,801	\$ 3,385,737
Total Support And Program Services - 2018	\$ 853,700	\$ 574,453	\$ 63,460	\$ 1,137,360	\$ 564,340	\$ 192,424		