



COMBINED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

**KANSAS WESLEYAN UNIVERSITY AND
FOUNDATION**

June 30, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Boards of Trustees
Kansas Wesleyan University and Foundation

We have audited the accompanying combined financial statements of Kansas Wesleyan University, a Kansas nonprofit organization, and Foundation (collectively the “Entity”), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Kansas Wesleyan University and Foundation as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Grant Thornton LLP

Wichita, Kansas
December 27, 2016

COMBINED FINANCIAL STATEMENTS

Kansas Wesleyan University and Foundation

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,497,059	\$ 899,895
Investments	1,358,489	4,822,243
Accounts receivable, less allowance for uncollectible accounts of \$30,000 in 2015 and 2014	159,359	101,989
Unconditional promises to give, net	1,679,601	3,538,966
Notes receivable, net	957,240	924,804
Bond issuance costs, net	83,899	96,706
Cash and investments restricted for long-term purposes	15,202,420	15,860,292
Beneficial interests in perpetual trusts	13,849,339	14,397,414
Property, plant and equipment, net	31,356,971	28,443,378
Other assets	294,348	231,728
Total assets	\$ 66,438,725	\$ 69,317,415

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,349,595	\$ 2,108,300
Deposits, advance enrollments and deferred revenue	446,646	447,636
Deposits held in custody for others	181,142	218,026
Refundable government loan program	762,937	821,787
Bonds payable	3,420,000	3,960,000
Liability for future annuity payments	55,517	78,333
Total liabilities	6,215,837	7,634,082

NET ASSETS

Unrestricted		
Available for operations	1,385,328	4,164,744
Investment in property, plant and equipment	28,020,870	24,580,084
Student loan funds	42,327	64,592
Total unrestricted net assets	29,448,525	28,809,420
Temporarily restricted		
Scholarships and other	2,219,011	3,184,262
Special projects and purposes	1,712,892	2,609,147
Total temporarily restricted net assets	3,931,903	5,793,409
Permanently restricted		
Scholarships and other	26,832,748	27,073,444
Special projects and purposes	9,712	7,060
Total permanently restricted net assets	26,842,460	27,080,504
Total net assets	60,222,888	61,683,333
Total liabilities and net assets	\$ 66,438,725	\$ 69,317,415

The accompanying notes are an integral part of these statements.

Kansas Wesleyan University and Foundation

COMBINED STATEMENTS OF ACTIVITIES

Year ended June 30,

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support				
Educational and general				
Tuition and fees	\$ 16,954,526	\$ -	\$ -	\$ 16,954,526
Less: scholarships and other aid	(7,890,243)	-	-	(7,890,243)
Net tuition and fees	9,064,283	-	-	9,064,283
Gifts and bequests	615,416	564,614	307,379	1,487,409
Governmental grants	144,433	-	-	144,433
Realized and unrealized gains (losses), net	9,550	(156,365)	(545,423)	(692,238)
Interest and dividends	62,722	312,999	-	375,721
Other	96,029	-	-	96,029
Total educational and general	9,992,433	721,248	(238,044)	10,475,637
Auxiliary enterprises	4,063,898	-	-	4,063,898
Independent operations	76,703	-	-	76,703
Total revenues and gains	14,133,034	721,248	(238,044)	14,616,238
Net assets released from restrictions	2,582,754	(2,582,754)	-	-
Total revenues, gains and other support	16,715,788	(1,861,506)	(238,044)	14,616,238
Expenses				
Educational and general				
Instruction	3,663,592	-	-	3,663,592
Academic support	727,887	-	-	727,887
Student services	1,673,520	-	-	1,673,520
Athletics	2,360,241	-	-	2,360,241
Institutional support	3,078,905	-	-	3,078,905
Operation and maintenance of plant	916,513	-	-	916,513
Other expenses	142,102	-	-	142,102
Total educational and general	12,562,760	-	-	12,562,760
Auxiliary enterprises	3,435,618	-	-	3,435,618
Independent operations	78,305	-	-	78,305
Total expenses	16,076,683	-	-	16,076,683
Change in net assets	639,105	(1,861,506)	(238,044)	(1,460,445)
Net assets, beginning of year	28,809,420	5,793,409	27,080,504	61,683,333
Net assets, end of year	<u>\$ 29,448,525</u>	<u>\$ 3,931,903</u>	<u>\$ 26,842,460</u>	<u>\$ 60,222,888</u>

The accompanying notes are an integral part of these statements.

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 15,921,179	\$ -	\$ -	\$ 15,921,179
(7,331,505)	-	-	(7,331,505)
8,589,674	-	-	8,589,674
530,985	4,604,410	1,244,235	6,379,630
143,658	-	-	143,658
81,964	343,512	(143,814)	281,662
47,362	376,580	-	423,942
93,559	-	-	93,559
9,487,202	5,324,502	1,100,421	15,912,125
3,905,985	-	-	3,905,985
109,444	-	-	109,444
13,502,631	5,324,502	1,100,421	19,927,554
7,100,900	(6,661,542)	(439,358)	-
20,603,531	(1,337,040)	661,063	19,927,554
3,516,293	-	-	3,516,293
569,517	-	-	569,517
1,573,247	-	-	1,573,247
2,027,537	-	-	2,027,537
3,174,302	-	-	3,174,302
869,798	-	-	869,798
164,856	-	-	164,856
11,895,550	-	-	11,895,550
3,288,930	-	-	3,288,930
123,800	-	-	123,800
15,308,280	-	-	15,308,280
5,295,251	(1,337,040)	661,063	4,619,274
23,514,169	7,130,449	26,419,441	57,064,059
<u>\$ 28,809,420</u>	<u>\$ 5,793,409</u>	<u>\$ 27,080,504</u>	<u>\$ 61,683,333</u>

Kansas Wesleyan University and Foundation

COMBINED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (1,460,445)	\$ 4,619,274
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property, plant and equipment	1,046,812	856,311
Amortization of bond issuance costs and discount	12,807	12,894
Realized and unrealized (gains) losses, net	692,238	(281,662)
Gifts and bequests restricted for long-term investments	(307,379)	(1,244,235)
Changes in operating assets and liabilities		
Accounts receivable	(57,370)	57,591
Unconditional promises to give	1,859,365	(1,109,174)
Notes receivable	(32,436)	(43,963)
Other assets	(62,620)	(12,601)
Accounts payable and accrued expenses	(52,287)	(158,808)
Deposits, advance enrollments and deferred revenue	(990)	(16,705)
Net cash provided by operating activities	1,637,695	2,678,922
Cash flows from investing activities		
Purchases of investments	(14,652,449)	(23,739,873)
Proceeds from sales of investments	18,607,096	24,858,569
Purchase of property, plant, and equipment	(4,666,823)	(4,408,693)
Net cash used in investing activities	(712,176)	(3,289,997)
Cash flows from financing activities		
Principal payments on bonds payable	(540,000)	(540,000)
Gifts and bequests restricted for long-term investments	307,379	956,420
Decrease in refundable government loan program	(58,850)	(44,390)
Change in deposits held in custody for others	(36,884)	2,493
Net cash provided by (used in) financing activities	(328,355)	374,523
Change in cash and cash equivalents	597,164	(236,552)
Cash and cash equivalents, beginning of year	899,895	1,136,447
Cash and cash equivalents, end of year	\$ 1,497,059	\$ 899,895
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 84,353	\$ 96,859
Noncash investing and financing activities		
Property, plant and equipment additions in accounts payable	268,194	974,612

The accompanying notes are an integral part of these statements.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Nature of operations

Kansas Wesleyan University (a Kansas nonprofit organization) is a liberal arts college under the auspices of the United Methodist Church.

The Kansas Wesleyan University Foundation (the "Foundation") (a Kansas nonprofit organization) is a foundation established to receive, invest and disburse amounts for the benefit of Kansas Wesleyan University and institutions related to, affiliated with and cooperating with Kansas Wesleyan University. The Foundation's assets along with certain other assets are presented as an endowment fund of Kansas Wesleyan University (see Note J). The financial statements of the Foundation are combined with the financial statements of Kansas Wesleyan University collectively (the "University"). All significant balances and transactions between these organizations have been eliminated in the combination.

The bylaws of the Foundation state that the Foundation Trustees shall be elected by the Foundation Board. The Chairperson of the University Board of Trustees and the President of Kansas Wesleyan University shall serve as ex-officio Foundation Trustees without vote. Kansas Wesleyan University has an economic interest in the net assets of the Foundation; however, Kansas Wesleyan University does not control the Foundation. Combined financial statements are presented in accordance with accounting guidance and the Boards of Trustees of Kansas Wesleyan University and the Foundation determined that presenting combined financial statements of Kansas Wesleyan University and the Foundation is most meaningful to the readers of the financial statements.

2. Basis of presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Donor-restricted contributions which restrictions are met in the same reporting period are reported as unrestricted revenue.

Government grants received from the United States Department of Education with limitations on the use of the resources are reported as unrestricted revenues when grants are awarded to students because the limitations are not donor-imposed restrictions.

Realized and unrealized gains (losses) and income on investments of endowment and similar funds are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift require that they be included in the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose time or purpose restrictions on their use or if derived from the principal of a donor-imposed permanent endowment fund until appropriated for expenditure; or
- as increases (decreases) in unrestricted net assets in all other cases.

3. Cash and cash equivalents

For the purposes of the statement of cash flows, the University considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents. Cash held in investment accounts is classified as investments. The University places its cash and cash equivalents with high quality financial institutions, which at times may exceed federally insured limits. The University has not experienced any losses on such accounts.

4. Investments and cash and investments restricted for long-term purposes

Cash and certificates of deposit are carried at cost. Investments in money market funds, debt and equity securities and mutual and other funds with readily determinable fair values are carried at fair value. Unrealized gains and losses are included in the change in net assets.

5. Accounts receivables

Accounts receivable are stated at the amount billed to the students less applied scholarships, loan proceeds and payments received from the student and third parties and an allowance for uncollectible accounts. The University extends unsecured credit and loans to students. The University provides an allowance for uncollectible accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the term, unless the student has made other payment arrangements. Accounts receivable are considered past due based upon payment terms set forth at the date of the related service provided.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Notes receivable

Notes receivables include amounts due under the Federal Perkins Loan Program which are stated at the outstanding principal amount, net of an allowance for uncollectible accounts, if necessary. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for uncollectible accounts, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

7. Property, plant and equipment

Purchases of property, plant and equipment are capitalized at cost. Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Donated assets are capitalized at fair value when received.

Depreciation expense is determined using the straight-line method over the estimated useful life of each depreciable asset as follows:

Land improvements	10-40 years
Buildings and improvements	10-40 years
Equipment and furnishings	10 years
Vehicles	5 years

8. Bond issuance costs

Bond issuance costs consist of costs incurred in connection with the issuance of bond obligations. These costs have been deferred and are being amortized over the term of the related bonds using the straight line method, which approximates the effective interest method. Bond issuance costs are presented net of accumulated amortization of \$45,040 and \$32,233 at June 30, 2016 and 2015, respectively.

9. Beneficial interests in perpetual trusts

The University is a beneficiary of certain irrevocable trusts held by third parties where the trustees have no discretion regarding the beneficiaries' participation in the trusts. The University's proportionate share of the fair value of the trusts, which approximates the net present value of the estimated future cash flows receivable by the University, is reported as an asset and as contribution revenue at the formation of the trusts.

Annual income distributions from the trusts are recognized as investment income in the appropriate net asset classification in accordance with the restrictions of the trusts. Changes in the University's proportionate share of the fair value of the trusts are reported as unrealized gains (losses) in the appropriate net asset classification in accordance with the restrictions of the trusts, generally as permanently restricted net assets.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Charitable gift annuities

The University has entered into annuity agreements whereby in exchange for a gift from donors, the University is obligated to make fixed annual payments to the donors or other designated beneficiaries during their lifetime. The assets received and annuity liabilities are recognized at fair value at inception. The fair value of the liability at inception is estimated based on the actuarial present value of the payments expected to be made. In subsequent periods, the annuity liability is reduced by payments and adjusted for amortization of the discount and changes in life expectancy of the beneficiary.

11. Refundable government loan program

The refundable government loan program liability includes advances from the U.S. Government under the Federal Perkins Loan Program and the program's cumulative net income (loss), as these funds are ultimately refundable to the U.S. Government.

12. Functional allocation of expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the combined statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

13. Advertising

Advertising costs are charged to expense when incurred in the combined statement of activities. Advertising costs incurred during the years ended June 30, 2016 and 2015 were \$168,024 and \$144,083, respectively.

14. Income taxes

The University is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The University annually evaluates tax positions taken with regard to unrelated business income, related deductions applied, or other activities that may jeopardize its tax exempt status and thus would meet the definition of an uncertain tax position. The University recognizes the financial statement benefit of a tax position only after determining the relevant taxing authority would more likely than not sustain the position following an audit. The University has concluded that there are no uncertain tax positions taken that would require recognition of a liability or disclosure in the financial statements. The University recognizes interest and penalties on tax assessments as other expenses within the combined statement of activities. The University is generally no longer subject to U.S. federal and state income tax examinations by taxing authorities for fiscal years before 2013.

In July of 2011, the Foundation received notification from the Internal Revenue Service that its tax exempt status was revoked. Management of the Foundation has taken steps to request retroactive reinstatement of the tax exempt status. While it is not possible at this time to predict or determine the final outcome of the request for reinstatement, it is the opinion of management, based upon Internal Revenue Service statutes, that the tax exempt status will be retroactively reinstated.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

15. 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

16. Subsequent events

The University has evaluated its subsequent events (events occurring after June 30, 2016) through December 27, 2016, which represents the date the combined financial statements were available to be issued. The University is not aware of any subsequent events that would require recognition or disclosure in the combined financial statements.

NOTE B - INVESTMENTS

Investments and cash and investments restricted for long-term purposes at June 30 consist of the following:

	2016	2015
Carried at cost		
Cash	\$ 840	\$ 850
Certificates of deposit	60,218	41,474
	61,058	42,324
Carried at fair value		
Money market funds	1,168,827	2,551,158
Equity securities	2,003,667	2,358,336
Equity mutual funds	9,471,545	10,814,784
Fixed income mutual funds	1,530,238	1,325,514
Other mutual funds	76,950	92,275
Greater Salina Community Foundation Fund	35,415	37,367
U.S. Government and agency securities	458,867	449,748
Corporate bonds	1,235,906	1,921,419
Municipal bonds	518,436	1,089,610
	16,499,851	20,640,211
	\$ 16,560,909	\$ 20,682,535

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE C - BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

Beneficial interests in perpetual trusts are comprised of the estimated fair value of the University's beneficial interests in perpetual trusts held by third parties. Under the terms of the trusts and subject to applicable laws and regulations, the trustee annually determines the estimated total return of the trusts for the next year and distributes those earnings to the University. Because the estimated total return is used to determine the distribution, a portion of the principal of the trust may be received incidentally.

The underlying assets held by the perpetual trusts include the following as of June 30:

	2016	2015
Cash	\$ 104,595	\$ 119,934
Certificate of deposit	10,000	-
Money market funds	165,156	142,075
Equity securities	525,157	563,556
Equity mutual funds	2,337,891	2,587,721
Fixed income mutual funds	915,134	567,654
Other mutual funds	180,406	210,571
U.S. Government and agency securities	188,549	185,099
Corporate bonds	330,983	484,114
Municipal bonds	68,035	55,291
Common trust funds	373,715	553,783
Real estate	8,506,760	8,734,308
Mineral interests	142,958	193,308
	\$ 13,849,339	\$ 14,397,414

NOTE D - UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give consist of the following at June 30:

	2016	2015
Promises to give expected to be collected in		
Less than one year	\$ 14,750	\$ 1,573,163
One to five years	1,710,525	2,011,477
	1,725,275	3,584,640
Less: Discounts to net present value	(30,674)	(30,674)
Less: Allowance for uncollectible promises to give	(15,000)	(15,000)
Net unconditional promises to give	\$ 1,679,601	\$ 3,538,966

Unconditional promises to give with due dates extending beyond one year are discounted at a range of rates between 0.86% and 1.04%.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENTS

Accounting guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Following is a description of the valuation methodologies used for assets at fair value.

Money market funds

Valued using net asset value (NAV) per share as provided by the investment fund.

Equity securities and mutual funds

Valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds held by the University are required to publish their daily net asset value (NAV) and to transact at that price.

U.S. Government and agency securities, corporate bonds and municipal bonds

Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

Greater Salina Community Foundation Fund

The University's investment in the Greater Salina Community Foundation Fund (the "Fund") is valued by the Greater Salina Community Foundation based on estimates of the net asset value (NAV) of the underlying investments of the Fund as provided by fund managers and based on other market-based data. Because the University owns an undivided interest in the Fund, its unit of account for fair value measurement purposes is the Fund. The University cannot look through the Fund to its underlying assets for the classification level in the fair value hierarchy. Rather, it must consider if relevant observable inputs exist for an undivided interest in the Fund. The Fund is classified as Level 3 in the fair value hierarchy because no observable inputs exist for an undivided interest in the Fund. However, at June 30, 2016 and June 30, 2015, all of the underlying assets of the Fund are mutual funds with fair values measured based on quoted market prices for identical assets in active markets.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENTS - Continued

Beneficial interests in perpetual trusts

The University has beneficial interests in perpetual trusts administered by third parties. The income earned from these trusts is available for institutional purposes as determined by donor restrictions. Beneficial interests are recognized in the combined financial statements as the University's proportionate share of the estimated fair value of the beneficial interest. The University uses quoted market prices, interest rates, yield curves and unobservable inputs including the present value calculation of expected future distributions to estimate the fair value of the beneficial interests in perpetual trusts.

Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimate could differ from actual results.

The following tables present assets that are measured at fair value on a recurring basis in the combined statement of financial position and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	2016			
	Fair value	Level 1	Level 2	Level 3
Investments				
Money market funds	\$ 1,168,827	\$ -	\$ 1,168,827	\$ -
Equity securities	2,003,667	2,003,667	-	-
Equity mutual funds	9,471,545	9,471,545	-	-
Fixed income mutual funds	1,530,238	1,530,238	-	-
Other mutual funds	76,950	76,950	-	-
U.S. Government and agency securities	458,867	-	458,867	-
Corporate bonds	1,235,906	-	1,235,906	-
Municipal bonds	518,436	-	518,436	-
Greater Salina Community Foundation Fund	35,415	-	-	35,415
Beneficial interests in perpetual trusts	13,849,339	-	-	13,849,339
	\$ 30,349,190	\$ 13,082,400	\$ 3,382,036	\$ 13,884,754

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENTS - Continued

	2015			
	Fair value	Level 1	Level 2	Level 3
Investments				
Money market funds	\$ 2,551,158	\$ -	\$ 2,551,158	\$ -
Equity securities	2,358,336	2,358,336	-	-
Equity mutual funds	10,814,784	10,814,784	-	-
Fixed income mutual funds	1,325,514	1,325,514	-	-
Other mutual funds	92,275	92,275	-	-
U.S. Government and agency securities	449,748	-	449,748	-
Corporate bonds	1,921,419	-	1,921,419	-
Municipal bonds	1,089,610	-	1,089,610	-
Greater Salina Community Foundation Fund	37,367	-	-	37,367
Beneficial interests in perpetual trusts	14,397,414	-	-	14,397,414
	<u>\$ 35,037,625</u>	<u>\$ 14,590,909</u>	<u>\$ 6,011,935</u>	<u>\$ 14,434,781</u>

The change in fair value of the University's Level 3 assets is as follows:

	Greater Salina Community Foundation Fund	Beneficial interests in perpetual trusts
Balance on July 1, 2014	\$ 37,767	\$ 14,541,228
Realized and unrealized gains, net	344	210,114
Distributions and withdrawals	(744)	(353,928)
Balance on June 30, 2015	37,367	14,397,414
Realized and unrealized losses, net	(298)	(249,072)
Distributions and withdrawals	(1,654)	(299,003)
Balance on June 30, 2016	<u>\$ 35,415</u>	<u>\$ 13,849,339</u>

Investments as of June 30 valued using net asset value per share, have the following liquidity restrictions:

	2016 Fair value	2015 Fair value	Redemption frequency	Redemption notice period
Money market fund (a)	\$ 387,167	\$ 297,958	daily	none
Money market fund (b)	3,465	180,000	daily	none
Money market fund (c)	626,891	2,004,075	daily	none
Money market fund (d)	151,304	69,125	daily	none

- (a) This fund seeks to maintain liquidity and pursues current income consistent with stability of principal. The fund primarily invests in short-term U.S. government securities which includes treasury securities and repurchase agreements collateralized by the U.S. Treasury.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENTS - Continued

- (b) This fund seeks to maintain liquidity and as high a level of current income as is consistent with the preservation of capital. The fund invests in U.S. government securities which includes treasury securities and repurchase agreements collateralized by the U.S. Treasury.
- (c) This fund seeks to maintain liquidity and as high a level of current income as is consistent with the preservation of capital. The fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government, rated in the highest short-term category or of comparable quality.
- (d) This fund seeks to preserve principal and maintain liquidity while providing current income. The fund is comprised of short-term debt obligations of highly rated U.S. issuers, including commercial paper and other short-term corporate obligations.

NOTE F - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following as of June 30:

	2016	2015
Land	\$ 98,014	\$ 98,014
Land improvements	57,130	57,130
Buildings	43,714,317	34,893,609
Equipment	2,914,838	1,915,801
Vehicles	132,548	131,545
Total property in service	46,916,847	37,096,099
Accumulated depreciation	(15,579,080)	(14,551,065)
Construction in progress	19,204	5,898,344
	<u>\$ 31,356,971</u>	<u>\$ 28,443,378</u>

Depreciation expense was \$1,046,812 and \$856,311 for the years ended June 30, 2016 and 2015, respectively.

NOTE G - BONDS PAYABLE

In December 2012, the Saline County, Kansas Education Facilities Revenue Bonds, Series 2012 were issued in the amount of \$5,270,000 for the sole purpose of refunding the Kansas Independent College Finance Authority Education Facilities Revenue Bonds, Series 2007. Bonds payable are \$3,420,000 and \$3,960,000 at June 30, 2016 and 2015, respectively. The bonds require the University to make monthly payments to the trustee sufficient to service the principal maturities and interest requirements through May 1, 2022. The bond agreement contains various restrictive covenants which include requirements for the maintenance of specified financial ratios. The University was not compliant with the debt service coverage ratio covenant for the year ending June 30, 2016. The University received a waiver of the covenant violation from the lender. The next debt service coverage ratio calculation is required for the year ending June 30, 2017. The bonds are collateralized by property, plant and equipment of the University. Interest is charged at a rate of 2.3% until December 19, 2017. Thereafter and until maturity, interest will be charged at a rate equal to the sum of the five-year treasury rate plus 300 basis points, which then shall be multiplied by the prevailing tax equivalent yield rate.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE G - BONDS PAYABLE - Continued

Scheduled principal payments on the bonds payable at June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 540,000
2018	540,000
2019	590,000
2020	600,000
2021	600,000
Thereafter	550,000
	<hr/>
	\$ 3,420,000
	<hr/>

NOTE H - GUARANTY

The University has a membership interest in Associated Colleges of Central Kansas (ACCK). ACCK provides the University and other Kansas universities with the use of software and related program support. On June 24, 2013, ACCK borrowed funds from a bank in the amount of \$1,006,408, which was paid in quarterly installments with final payment made on June 30, 2016. The University had guaranteed a portion of the indebtedness and was obligated to perform under the guarantee if ACCK failed to pay principal and interest payments to the lender when due. During the fiscal year ended June 30, 2016, the obligation was repaid by ACCK effectively releasing the University from its guarantee.

NOTE I - RETIREMENT PLAN

The University has a defined contribution pension plan covering substantially all full-time employees. Pension expense, which is funded currently, totaled \$515,536 and \$514,814 for the years ended June 30, 2016 and 2015, respectively.

NOTE J - ENDOWMENT FUND

The Foundation was established to receive, invest and disburse amounts for the benefit of Kansas Wesleyan University and institutions related to, affiliated with and cooperating with Kansas Wesleyan University. The Foundation has a separate governing board. The Foundation's financial statements are combined with the financial statements of Kansas Wesleyan University (See Note A1).

The endowment consists of permanently restricted funds and related earnings held by the Foundation along with the beneficial interests in perpetual trusts. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE J - ENDOWMENT FUND - Continued

The investment policy consists of investing in a diversified asset or assets in an attempt to maximize total return consistent with an acceptable level of risk. The endowment management strategy is that present and future generations of students will enjoy equivalent levels of purchasing power through a balanced endowment management approach which (a) generates income to provide for current needs and (b) maintains a base for generating income to meet future needs. Up to 5.0% (or higher if donor restrictions specify a distribution percentage) of the total fair value of investable assets as of July 1 each year is budgeted for use in the current fiscal year according to restrictions of donors. The Foundation's Board of Trustees determines an appropriate amount of expenditures each year based on the net asset value of the endowment fund. During 2015, the Foundation's Board of Trustees appropriated \$905,710 for operations and capital projects above the 5% budgeted amount.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the historical cost of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Changes in endowment net assets

Changes in endowment net assets for the years ended June 30 are as follows:

	2016		
	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2015	\$ 3,184,262	\$ 27,073,444	\$ 30,257,706
Gifts and bequests	-	307,379	307,379
Interest and dividends	312,999	-	312,999
Realized and unrealized losses, net	(153,713)	(548,075)	(701,788)
Appropriation for expenditure	(1,124,537)	-	(1,124,537)
Endowment net assets, June 30, 2016	\$ 2,219,011	\$ 26,832,748	\$ 29,051,759

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE J - ENDOWMENT FUND - Continued

	2015		
	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2014	\$ 4,457,548	\$ 26,412,381	\$ 30,869,929
Gifts and bequests	-	1,244,235	1,244,235
Interest and dividends	376,580	-	376,580
Realized and unrealized gains (losses), net	337,627	(143,814)	193,813
Appropriation for expenditure	(1,987,493)	-	(1,987,493)
Released from restrictions and transferred	-	(439,358)	(439,358)
Endowment net assets, June 30, 2015	\$ 3,184,262	\$ 27,073,444	\$ 30,257,706

During 2015, the University received approval from the original donor to remove the restrictions on a permanently restricted contribution of \$439,358 to use for educational purposes of the University.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and expenditures in excess of revenues. There were no deficiencies at June 30, 2016 and 2015.

NOTE K - OPERATING LEASES

The University has entered into leases for certain office equipment and vehicles. All of these agreements are classified as operating leases and have terms expiring over the next five years. Rent expense on these leases totaled \$62,974 and \$58,669 for the years ended June 30, 2016 and 2015, respectively.

The future minimum lease payments required under these operating leases with original terms in excess of one year are presented below:

Year ending June 30,	
2017	\$ 37,806
2018	17,748
2019	3,594
Total	\$ 59,148

NOTE L - ADVANCEMENT EXPENSES

The University incurred development and fund-raising expenses amounting to \$463,800 and \$493,228 for the years ended June 30, 2016 and 2015, respectively. Such amounts are included in institutional support expenses in the accompanying combined statement of activities.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2016 and 2015

NOTE M - CONCENTRATIONS OF CREDIT RISK

The Foundation has invested in money market funds, mutual funds, securities issued by the U.S. Treasury and other federal agencies, corporate bonds, municipal bonds, and corporate stocks. These investments are held and managed by five institutions. The Foundation Board of Trustees has established a policy whereby no more than 5% of the equity and debt portfolios should be invested in any one security.

The University has demand deposit accounts at various financial institutions. The balances with certain institutions were in excess of the Federal insurance limitations as of June 30, 2016 and 2015.

NOTE N - ASSETS TRANSFERRED TO A RECIPIENT ORGANIZATION

The Foundation and the Retired Senior Volunteer Program (RSVP) each transferred \$10,000 to the Greater Salina Community Foundation for the establishment of named funds. The Greater Salina Community Foundation may make annual distributions to the Foundation and RSVP of an amount up to but not to exceed 5% of the respective fund's net fair value. At June 30, 2016 and 2015, the fair value of these assets was \$35,415 and \$37,367, respectively, and is included in investments in the accompanying combined statements of financial position.

NOTE O - NOTES RECEIVABLE, NET

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government resources. At June 30, 2016 and 2015, student loans represented 1.4% and 1.3%, respectively, of total assets and are recognized as notes receivable in the combined statements of financial position.

Notes receivable consist of the following at June 30:

	2016	2015
Federal government loan programs	\$ 1,127,240	\$ 1,094,804
Allowance for uncollectible accounts	(170,000)	(170,000)
	\$ 957,240	\$ 924,804

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$762,937 and \$821,787 at June 30, 2016 and 2015, respectively, are ultimately refundable to the government and are classified as liabilities in the combined statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The following amounts were past due under the student loan programs:

	1-60 days past due	60-90 days past due	90+ days past due	Total past due
June 30, 2016	\$ 809	\$ 441	\$ 313,907	\$ 315,157
June 30, 2015	416	126	300,888	301,430

An allowance for uncollectible accounts is established, if necessary, based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible.

SUPPLEMENTARY INFORMATION

Kansas Wesleyan University and Foundation

SCHEDULE OF CHANGES IN UNRESTRICTED NET ASSETS AVAILABLE FOR OPERATIONS

	Year ended June 30,			
	2016		2015	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Revenues and gains				
Educational and general				
Tuition and fees				
Full time				
Fall	\$ 8,206,294	54.1 %	\$ 7,480,987	47.2 %
Spring	7,371,645	48.6	7,239,120	45.7
Part time				
Fall	229,002	1.5	177,294	1.1
Spring	262,848	1.7	171,189	1.1
Summer	115,597	0.8	139,539	0.9
	<u>16,185,386</u>	<u>106.6</u>	<u>15,208,129</u>	<u>96.0</u>
Graduate	508,138	3.3	470,396	3.0
Fees	261,002	1.7	242,654	1.5
Gross tuition and fees	<u>16,954,526</u>	<u>111.7</u>	<u>15,921,179</u>	<u>100.5</u>
Less: Scholarships and other aid				
Scholarships	(4,969,927)	(32.7)	(4,864,186)	(30.7)
Awards	(1,399,023)	(9.2)	(1,321,490)	(8.3)
Discounts	(1,521,293)	(10.0)	(1,145,829)	(7.2)
Total scholarships and other aid	<u>(7,890,243)</u>	<u>(52.0)</u>	<u>(7,331,505)</u>	<u>(46.3)</u>
Net tuition and fees	<u>9,064,283</u>	<u>59.7</u>	<u>8,589,674</u>	<u>54.2</u>
Gift revenues				
Scholarship gifts	84,927	0.6	55,994	0.4
Unrestricted gifts	530,489	3.5	474,991	3.0
Total gift revenues	<u>615,416</u>	<u>4.1</u>	<u>530,985</u>	<u>3.4</u>
Grant revenues				
Student assistance - Federal Work-Study				
Program	79,653	0.5	79,653	0.5
Miscellaneous	64,780	0.4	64,005	0.4
Total grant revenues	<u>144,433</u>	<u>1.0</u>	<u>143,658</u>	<u>0.9</u>
Other revenues				
Realized and unrealized gains (losses), net	9,550	0.1	81,964	0.5
Interest and dividends	46,609	0.3	30,285	0.2
Miscellaneous	75,414	0.5	84,663	0.5
Total other revenues	<u>131,573</u>	<u>0.9</u>	<u>196,912</u>	<u>1.2</u>
Total educational and general	<u>9,955,705</u>	<u>65.6</u>	<u>9,461,229</u>	<u>59.7</u>

Kansas Wesleyan University and Foundation

SCHEDULE OF CHANGES IN UNRESTRICTED NET ASSETS AVAILABLE FOR OPERATIONS - CONTINUED

	Year ended June 30,			
	2016		2015	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Auxiliary enterprises				
Housing system				
Apartments	\$ 190,038	1.3 %	\$ 186,360	1.2 %
Resident halls	1,240,019	8.2	1,238,981	7.8
Other facilities	104,021	0.7	92,760	0.6
Shriwise dining hall	2,282,916	15.0	2,126,491	13.4
Total housing system	3,816,994	25.1	3,644,592	23.0
Other auxiliary enterprises				
Bookstore	214,938	1.4	227,729	1.4
Ticket sales	25,166	0.2	23,415	0.1
Vending operations	5,859	0.0	6,931	0.0
Other sales	941	0.0	3,318	0.0
Total other auxiliary enterprises	246,904	1.6	261,393	1.7
Total auxiliary enterprises	4,063,898	26.8	3,905,985	24.7
Total revenues and gains	14,019,603	92.4	13,367,214	84.4
Reclassifications and transfers				
Net assets released from restrictions excluding capital expenditure releases				
Endowment scholarship and restricted distributions	1,124,537	7.4	2,426,851	15.3
Special projects	36,728	0.2	40,692	0.3
Total net assets released from restrictions excluding capital expenditure releases	1,161,265	7.6	2,467,543	15.6
Total revenues, gains, reclassifications and selected transfers from other unrestricted funds	15,180,868	100.0	15,834,757	100.0

Kansas Wesleyan University and Foundation

SCHEDULE OF CHANGES IN UNRESTRICTED NET ASSETS AVAILABLE FOR OPERATIONS - CONTINUED

	Year ended June 30,			
	2016		2015	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Expenses				
Educational and general				
Instructional				
Art	\$ 156,968	1.0 %	\$ 138,060	0.9 %
English	142,290	0.9	139,142	0.9
Language	7,041	0.0	5,039	0.0
Music				
Instrumental	185,575	1.2	150,871	1.0
Vocal	156,917	1.0	154,117	1.0
Speech and theatre	169,902	1.1	143,520	0.9
Communications	142,136	0.9	125,842	0.8
Religion and philosophy	88,315	0.6	98,951	0.6
Accounting	48,299	0.3	77,912	0.5
Education	253,787	1.7	230,569	1.5
Health, physical education and recreation	182,456	1.2	157,661	1.0
Biology	105,981	0.7	131,497	0.8
Chemistry	153,482	1.0	139,088	0.9
Mathematics	80,207	0.5	76,341	0.5
Computer science	231,622	1.5	225,498	1.4
Physics	70,395	0.5	59,213	0.4
Sociology and criminal justice	241,136	1.6	220,405	1.4
Psychology and addictions	152,750	1.0	158,530	1.0
History	133,860	0.9	130,037	0.8
Business administration	323,498	2.1	269,684	1.7
Nursing	636,975	4.2	684,316	4.3
	<u>3,663,592</u>	<u>24.1</u>	<u>3,516,293</u>	<u>22.2</u>
Academic support				
Academic Dean's office	365,707	2.4	247,418	1.6
Library	296,167	2.0	259,299	1.6
Student success center	66,013	0.4	62,800	0.4
Total academic support	<u>727,887</u>	<u>4.8</u>	<u>569,517</u>	<u>3.6</u>
Student services				
Admissions	544,777	3.6	545,564	3.4
Enrollment services	390,897	2.6	403,561	2.5
Student life	737,846	4.9	624,122	3.9
Total student services	<u>1,673,520</u>	<u>11.0</u>	<u>1,573,247</u>	<u>9.9</u>

Kansas Wesleyan University and Foundation

SCHEDULE OF CHANGES IN UNRESTRICTED NET ASSETS AVAILABLE FOR OPERATIONS - CONTINUED

	Year ended June 30,			
	2016		2015	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Expenses (Continued)				
Educational and general (Continued)				
Athletics				
Athletic director	\$ 318,816	2.1 %	\$ 321,438	2.0 %
Athletic training	162,572	1.1	162,621	1.0
Athletics - men	1,128,485	7.4	887,362	5.6
Athletics - women	750,368	4.9	656,116	4.1
Total athletics	2,360,241	15.5	2,027,537	12.8
Institutional support				
President's office	458,466	3.0	423,889	2.7
Board of Trustees	9,437	0.1	-	-
Advancement and alumni office	463,800	3.1	493,228	3.1
Publicity office	482,184	3.2	413,003	2.6
Business office	314,427	2.1	290,466	1.8
Post office	30,888	0.2	26,355	0.2
Information systems	587,182	3.9	742,664	4.7
Insurance	335,177	2.2	334,063	2.1
Tuition remission	111,319	0.7	224,637	1.4
General	286,025	1.9	225,997	1.4
Total institutional support	3,078,905	20.3	3,174,302	20.0
Operation and maintenance of plant				
Maintenance department	240,525	1.6	277,862	1.8
Depreciation	366,783	2.4	300,363	1.9
Utilities	309,205	2.0	291,573	1.8
Total operation and maintenance of plant	916,513	6.0	869,798	5.5
Other expenses				
Annuity interest	14,000	0.1	15,800	0.1
Bond interest	84,353	0.6	96,859	0.6
Total other expenses	98,353	0.6	112,659	0.7
Total educational and general	12,519,011	82.5	11,843,353	74.8
Auxiliary enterprises				
Housing system				
Apartments	301,090	2.0	323,522	2.0
Dormitories and related facilities	1,167,662	7.7	1,122,053	7.1
Shriwise dining hall	1,011,890	6.7	986,481	6.2
Bookstore	262,053	1.7	288,029	1.8
Depreciation	692,923	4.6	568,845	3.6
Total auxiliary enterprises	3,435,618	22.6	3,288,930	20.8
Total expenses	15,954,629	105.1	15,132,283	95.6

Kansas Wesleyan University and Foundation

SCHEDULE OF CHANGES IN UNRESTRICTED NET ASSETS AVAILABLE FOR OPERATIONS - CONTINUED

	Year ended June 30,			
	2016		2015	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Total change in unrestricted net assets available for operations excluding capital projects	\$ (773,761)	(5.1) %	\$ 702,474	4.4 %
Capital project transactions				
Transfers				
Property, plant and equipment	(1,478,462)	(9.7)	92,007	0.6
Change in bonds outstanding	(540,000)	(3.6)	(540,000)	(3.4)
Bond issuance costs	12,807	0.1	12,894	0.1
Net capital project transactions	(2,005,655)	(13.2)	(435,099)	(2.7)
Total change in unrestricted net assets available for operations including capital projects	(2,779,416)	(18.3) %	267,375	1.7 %
Unrestricted net assets available for operations, beginning of year	4,164,744		3,897,369	
Unrestricted net assets available for operations, end of year	\$ 1,385,328		\$ 4,164,744	

Kansas Wesleyan University and Foundation

SCHEDULE OF AGENCY FUNDS

Fund	Balance July 1, 2015	Receipts	Disbursements	Balance June 30, 2016
Accounting Club	\$ 460	\$ 5	\$ -	\$ 465
Addictions Grant #2	18,034	180	18,214	-
Addictions Seminar	8,824	88	8,912	-
Alpha Chi	1,064	6,610	6,204	1,470
Alumni Association	6,819	11,778	9,710	8,887
Ambassadors	889	9	-	898
Art Club	243	452	214	481
Art Department	3,102	1,613	969	3,746
Astronomy Club	519	5	90	434
Athletic Hall of Fame	966	11	675	302
Athletic Training Club	848	159	-	1,007
Athletic Training Department	2,682	27	-	2,709
Band	415	3,025	2,224	1,216
Best of KWU	3,924	540	1,081	3,383
Beta Beta Beta	797	18	-	815
Biology Club	204	152	135	221
Booster Club - Athletic	49,836	271,592	268,054	53,374
Business Club	1,802	18	-	1,820
Center for Church Leadership	1	-	1	-
Center for Teaching Excellence	11,992	479	-	12,471
Chi Alpha	(310)	-	95	(405)
College Music Educators	152	2	-	154
College Society for Gamers	91	501	70	522
Computer Club	(808)	16	50	(842)
Concessions	-	5,918	42,824	(36,906)
Corpus Juris Club	590	5	-	595
CMENC	1,379	14	-	1,393
Crusade for Christ	27	-	27	-
Drama Club	627	246	265	608
Dudley Emergency	5,145	43	350	4,838
FCA	831	754	1,338	247
Flower Fund	(707)	10	22	(719)
Geology Club	5,577	56	-	5,633
Golf Tour - Coyotes	1,635	-	1,635	-
History Events	-	2,298	2,783	(485)
HPER Club	5,686	1,682	732	6,636
HPER Equipment Fund	12,160	122	-	12,282
International Club	515	508	-	1,023
KWU Academic Dean	2,814	28	-	2,842
KWU Chemistry Club	183	462	376	269
KWU Choir - International Trip	(2,127)	-	22	(2,149)
KWU Choir	4,425	18,396	20,937	1,884

Kansas Wesleyan University and Foundation

SCHEDULE OF AGENCY FUNDS - CONTINUED

Fund	Balance July 1, 2015	Receipts	Disbursements	Balance June 30, 2016
KWU Ham Radio Club	\$ 136	\$ 245	\$ -	\$ 381
KWU Psychology Club	(1,265)	4,260	3,312	(317)
KWU Rec2Reality	-	3,996	-	3,996
KWU Symphony Opera	1,763	4,874	1,763	4,874
Language	2,403	25	-	2,428
Math Department	849	8	-	857
Medical Health Association	1,022	10	-	1,032
Media Club	317	2,404	1,808	913
Microburst Club	(2)	2	-	-
Miscellaneous	2,501	-	1,668	833
Multicultural Student	-	205	135	70
Music Booster Club	1,144	11	-	1,155
Music Internship	4,787	49	-	4,836
Newman Club	77	-	77	-
Nursing Program Fund	2,360	217	-	2,577
Outdoor Adventure Club	479	5	-	484
Phi Alpha Theta	918	158	183	893
Pi Kappa Delta	4,329	20,536	20,505	4,360
Poker Club	294	3	-	297
Republican Students	251	3	-	254
Richards Lecture Series	14,941	4,408	-	19,349
Senior Class Gifts	1,945	294	805	1,434
SNEA	389	153	394	148
Society of Physics	1,254	32	-	1,286
Solid Waste Venture Grant	1,424	576	2,000	-
State Music Festival	2,822	10,920	12,945	797
Staff Flower Fund	20	-	20	-
Strings Program	(592)	10,514	10,678	(756)
Student Nursing Organization	1,090	744	904	930
Student Technology Association	2,411	24	-	2,435
Theophils Club	10	-	-	10
U.S. Treasury Fund	1,880	7,724,842	7,724,842	1,880
UMHMF Nurse	204	-	204	-
VITA Grant	(727)	732	5	-
Volunteer Connection Grant	(10,981)	24,817	13,836	-
Women's Auxiliary - Operations	5,453	2,332	1,040	6,745
Women's Auxiliary - Special	-	1,103	-	1,103
Woodworth Fellowship	22,814	22,091	20,166	24,739
Totals	<u>\$ 218,026</u>	<u>\$ 8,168,415</u>	<u>\$ 8,205,299</u>	<u>\$ 181,142</u>

Kansas Wesleyan University and Foundation

SCHEDULE OF RETIRED SENIOR VOLUNTEER PROGRAM REVENUES AND EXPENSES

Year ended June 30,

	2016	2015
Revenues		
Dividends	\$ 464	\$ 773
Capital gains (losses)	(4,729)	(6,609)
United Way grant	18,292	36,583
ACTION grant	45,839	30,505
Other grants	5,600	14,779
Miscellaneous	11,237	33,413
Total revenues	76,703	109,444
Expenses		
Salaries	48,427	77,534
Benefits	12,200	21,990
Supplies	1,117	3,459
Postage	323	208
Telephone	2,222	2,280
Dues	285	305
Printing	238	500
Travel and vehicle	1,320	4,231
Meals and lodging	-	241
Education	-	50
Rent	6,575	8,767
Contract services	497	601
Computer service	-	1,265
Special events	611	1,108
Insurance	1,231	1,131
Miscellaneous	3,259	130
Total expenses	78,305	123,800
Deficit of revenues over expenses	(1,602)	(14,356)
Transfer of net assets to unrestricted fund	(16,420)	-
Change in net assets	(18,022)	(14,356)
Beginning net assets	18,022	32,378
Ending net assets	\$ -	\$ 18,022

Kansas Wesleyan University and Foundation

SCHEDULE OF KANSAS WESLEYAN UNIVERSITY FOUNDATION ASSETS AND DISTRIBUTIONS

As of and for the year ended June 30,

	2016	2015
Assets managed under agency agreements		
Greater Salina Community Foundation	\$ 16,623	\$ 17,548
Waddell & Reed	332,731	75,989
Advantage Trust Company	3,226,724	3,982,981
UMB Bank, N.A.	6,020,438	6,136,230
Sunflower Bank, N.A.	5,392,118	5,359,779
Total assets managed under agency agreements	14,988,634	15,572,527
Amounts due from (to) Kansas Wesleyan University	27,439	(50)
Net assets managed under agency agreements	15,016,073	15,572,477
Assets held under beneficial interest in perpetual trusts	254,465	273,503
Unconditional promises to give	-	287,815
Total net assets	\$ 15,270,538	\$ 16,133,795
Endowment appropriations from the Foundation to the University		
Operations	\$ 271,946	\$ 260,649
Scholarships	470,938	471,317
Specific purposes or projects	8,754	23,008
Total appropriations	\$ 751,638	\$ 754,974
Transfers from the Foundation to the University		
Unrestricted funds and investment earnings	\$ -	\$ 3,093,796
Permanently restricted net assets - Beneficial interest in perpetual trusts	-	14,268,211
Payment for services	60,000	60,000
	\$ 60,000	\$ 17,422,007



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