



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

**KANSAS WESLEYAN UNIVERSITY AND
FOUNDATION**

June 30, 2017 and 2016

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Grant Thornton

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, 2017 and 2016, 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, 2017 and 2016, 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

November 27, 2017

COMBINED FINANCIAL STATEMENTS

Kansas Wesleyan University and Foundation

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,343,891	\$ 1,497,059
Investments	1,771,314	1,358,489
Accounts receivable, less allowance for uncollectible accounts of \$40,786 and \$30,000 in 2017 and 2016	433,590	159,359
Unconditional promises to give, net	1,169,249	1,679,601
Notes receivable, net	940,535	957,240
Cash and investments restricted for long-term purposes	16,546,054	15,202,420
Beneficial interests in perpetual trusts	13,860,216	13,849,339
Property, plant and equipment, net	31,218,970	31,356,971
Other assets	432,660	294,348
Total assets	\$ 67,716,479	\$ 66,354,826
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,271,713	\$ 1,349,595
Deposits, advance enrollments and deferred revenue	540,372	446,646
Deposits held in custody for others	306,039	181,142
Refundable government loan program	693,539	762,937
Bonds payable less unamortized debt issuance costs of \$71,005 and \$83,899 in 2017 and 2016	2,808,995	3,336,101
Liability for future annuity payments	51,447	55,517
Total liabilities	5,672,105	6,131,938
NET ASSETS		
Unrestricted		
Available for operations	753,929	1,385,328
Investment in property, plant and equipment	28,409,975	28,020,870
Student loan funds	23,709	42,327
Total unrestricted net assets	29,187,613	29,448,525
Temporarily restricted		
Scholarships and other	4,095,258	2,719,011
Special projects and purposes	1,599,618	1,212,892
Total temporarily restricted net assets	5,694,876	3,931,903
Permanently restricted		
Scholarships and other	27,152,173	26,832,748
Special projects and purposes	9,712	9,712
Total permanently restricted net assets	27,161,885	26,842,460
Total net assets	62,044,374	60,222,888
Total liabilities and net assets	\$ 67,716,479	\$ 66,354,826

The accompanying notes are an integral part of these statements.

Kansas Wesleyan University and Foundation

COMBINED STATEMENTS OF ACTIVITIES

Year ended June 30,

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support				
Educational and general				
Tuition and fees	\$ 18,178,223	\$ -	\$ -	\$ 18,178,223
Less: scholarships and other aid	(8,713,650)	-	-	(8,713,650)
Net tuition and fees	9,464,573	-	-	9,464,573
Gifts and bequests	559,230	1,175,134	307,650	2,042,014
Governmental grants	117,323	-	-	117,323
Realized and unrealized gains (losses), net	70,605	1,857,235	11,775	1,939,615
Interest and dividends	33,186	284,287	-	317,473
Other	149,417	-	-	149,417
Total educational and general	10,394,334	3,316,656	319,425	14,030,415
Auxiliary enterprises	4,474,321	-	-	4,474,321
Total revenues and gains	14,868,655	3,316,656	319,425	18,504,736
Net assets released from restrictions	1,553,683	(1,553,683)	-	-
Total revenues, gains and other support	16,422,338	1,762,973	319,425	18,504,736
Expenses				
Educational and general				
Instruction	3,750,227	-	-	3,750,227
Academic support	712,455	-	-	712,455
Student services	1,764,541	-	-	1,764,541
Athletics	2,345,575	-	-	2,345,575
Institutional support	3,134,168	-	-	3,134,168
Operation and maintenance of plant	1,086,431	-	-	1,086,431
Other expenses	110,989	-	-	110,989
Total educational and general	12,904,386	-	-	12,904,386
Auxiliary enterprises	3,778,864	-	-	3,778,864
Total expenses	16,683,250	-	-	16,683,250
Change in net assets	(260,912)	1,762,973	319,425	1,821,486
Net assets, beginning of year	29,448,525	3,931,903	26,842,460	60,222,888
Net assets, end of year	<u>\$ 29,187,613</u>	<u>\$ 5,694,876</u>	<u>\$ 27,161,885</u>	<u>\$ 62,044,374</u>

The accompanying notes are an integral part of these statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 16,954,526	\$ -	\$ -	\$ 16,954,526
(7,890,243)	-	-	(7,890,243)
9,064,283	-	-	9,064,283
615,416	564,614	307,379	1,487,409
144,433	-	-	144,433
9,550	(156,365)	(545,423)	(692,238)
62,722	312,999	-	375,721
172,732	-	-	172,732
10,069,136	721,248	(238,044)	10,552,340
4,063,898	-	-	4,063,898
14,133,034	721,248	(238,044)	14,616,238
2,582,754	(2,582,754)	-	-
16,715,788	(1,861,506)	(238,044)	14,616,238
3,663,592	-	-	3,663,592
727,887	-	-	727,887
1,673,520	-	-	1,673,520
2,360,241	-	-	2,360,241
3,078,905	-	-	3,078,905
916,513	-	-	916,513
220,407	-	-	220,407
12,641,065	-	-	12,641,065
3,435,618	-	-	3,435,618
16,076,683	-	-	16,076,683
639,105	(1,861,506)	(238,044)	(1,460,445)
28,809,420	5,793,409	27,080,504	61,683,333
<u>\$ 29,448,525</u>	<u>\$ 3,931,903</u>	<u>\$ 26,842,460</u>	<u>\$ 60,222,888</u>

Kansas Wesleyan University and Foundation

COMBINED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,821,486	\$ (1,460,445)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property, plant and equipment	1,228,529	1,046,812
Amortization of bond issuance costs and discount	12,894	12,807
Realized and unrealized (gains) losses, net	(1,939,615)	692,238
Gifts and bequests restricted for long-term investments	(307,650)	(307,379)
Changes in operating assets and liabilities		
Accounts receivable	(274,231)	(57,370)
Unconditional promises to give	510,352	1,859,365
Notes receivable	16,705	(32,436)
Other assets	(138,312)	(62,620)
Accounts payable and accrued expenses	95,802	(52,287)
Deposits, advance enrollments and deferred revenue	93,726	(990)
	1,119,686	1,637,695
Net cash provided by operating activities	1,119,686	1,637,695
Cash flows from investing activities		
Purchases of investments	(15,883,812)	(14,652,449)
Proceeds from sales of investments	16,052,021	18,607,096
Purchase of property, plant, and equipment	(1,264,212)	(4,666,823)
	(1,096,003)	(712,176)
Net cash used in investing activities	(1,096,003)	(712,176)
Cash flows from financing activities		
Principal payments on bonds payable	(540,000)	(540,000)
Gifts and bequests restricted for long-term investments	307,650	307,379
Decrease in refundable government loan program	(69,398)	(58,850)
Change in deposits held in custody for others	124,897	(36,884)
	(176,851)	(328,355)
Net cash used in financing activities	(176,851)	(328,355)
Change in cash and cash equivalents	(153,168)	597,164
Cash and cash equivalents, beginning of year	1,497,059	899,895
Cash and cash equivalents, end of year	\$ 1,343,891	\$ 1,497,059
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 71,933	\$ 84,353
Noncash investing and financing activities		
Property, plant and equipment additions in accounts payable	94,510	268,194

The accompanying notes are an integral part of these statements.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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. Debt issuance costs

Debt issuance costs consist of costs incurred in connection with the issuance of bond and debt obligations and are capitalized and presented as a direct reduction from the associated debt liability on the accompanying statements of financial position. Debt issuance costs are amortized over the term of the related debt liability using the straight line method, which approximates the effective interest method.

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, 2017 and 2016

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, 2017 and 2016 were \$143,262 and \$168,024, 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 2014.

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, 2017 and 2016

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. Recent accounting pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs be presented as a direct reduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The University adopted ASU 2015-03 and, as required, applied its provisions retrospectively. Accordingly, the University reclassified unamortized debt issuance costs of \$83,899 from other assets to long-term debt on its June 30, 2016 statement of financial position.

In May 2015, the FASB issued ASU 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The University elected to early adopt the provisions of this new standard. Accordingly, the standard was retrospectively applied thereby removing investments measured at NAV of \$1,168,827 from the fair value hierarchy disclosure at June 30, 2016 and presenting the amount separately so that total investments measured at fair value reconciles to total investments as presented in the statement of financial position.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers”. The standard will eliminate the transaction and industry specific revenue recognition guidance under current “U.S. GAAP” and replace it with a principal-based approach for determining revenue recognition. The updated standard permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which deferred the effective date. For nonpublic entities, the updated standard is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The University is evaluating the impact of this updated standard on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases”. The standard will eliminate the off balance sheet accounting for long-term operating leases under current “U.S. GAAP” and entities will be required to recognize lease assets and lease liabilities on the statement of financial position for both financing and operating leases. The updated standard requires lessees to use a modified retrospective approach beginning with the earliest period presented. Entities may elect optional practical expedients for existing leases including evaluating classifications and lease options. For nonpublic entities, the updated standard is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The University is evaluating the impact of this updated standard on the financial statements.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

In August 2016, the FASB issued ASU No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities", which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the existing three-category classification of net assets (i.e. unrestricted, temporarily restricted and permanently restricted) will be replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant and equipment have also been clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be required to disclose (on the face of the statement or in notes) the extent to which the statement of financial position comprises financial assets, the extent to which those assets can be converted to cash within one year and any limitations that would preclude their current use. This ASU is effective for fiscal years beginning after December 15, 2017, with early application permitted. This ASU should be applied on a retrospective basis in the year that the ASU is first applied. The University is evaluating the impact of this updated standard on the financial statements.

17. Subsequent events

The University has evaluated its subsequent events (events occurring after June 30, 2017) through November 27, 2017, 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:

	2017	2016
Carried at cost		
Cash	\$ 1,895	\$ 840
Certificates of deposit	61,212	60,218
	63,107	61,058
Carried at fair value		
Money market funds	1,902,059	1,168,827
Equity securities	1,925,213	2,003,667
Equity mutual funds	10,186,599	9,471,545
Fixed income mutual funds	2,093,425	1,530,238
Other mutual funds	75,975	76,950
Greater Salina Community Foundation Fund	-	35,415
U.S. Government and agency securities	350,638	458,867
Corporate bonds	1,460,933	1,235,906
Municipal bonds	259,419	518,436
	18,254,261	16,499,851
	\$ 18,317,368	\$ 16,560,909

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - INVESTMENTS - Continued

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.

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:

	2017	2016
Cash	\$ 253,533	\$ 104,595
Certificate of deposit	-	10,000
Money market funds	-	165,156
Equity securities	1,312,709	525,157
Equity mutual funds	2,336,017	2,337,891
Fixed income mutual funds	1,091,421	915,134
Other mutual funds	128,491	180,406
U.S. Government and agency securities	109,061	188,549
Corporate bonds	314,393	330,983
Municipal bonds	71,485	68,035
Common trust funds	-	373,715
Real estate	8,124,929	8,506,760
Mineral interests	118,177	142,958
	\$ 13,860,216	\$ 13,849,339

NOTE D - UNCONDITIONAL PROMISES TO GIVE, NET

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

	2017	2016
Promises to give expected to be collected in		
Less than one year	\$ 317,941	\$ 14,750
One to five years	881,308	1,710,525
	1,199,249	1,725,275
Less: Discounts to net present value	-	(30,674)
Less: Allowance for uncollectible promises to give	(30,000)	(15,000)
Net unconditional promises to give	\$ 1,169,249	\$ 1,679,601

Unconditional promises to give with due dates extending beyond one year are discounted at a range of rates between 0.86% and 1.72%.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

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, 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, 2017 and 2016

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:

	2017			
	Fair value	Level 1	Level 2	Level 3
Investments				
Equity securities	\$ 1,925,213	\$ 1,925,213	\$ -	\$ -
Equity mutual funds	10,186,599	10,186,599	-	-
Fixed income mutual funds	2,093,425	2,093,425	-	-
Other mutual funds	75,975	75,975	-	-
U.S. Government and agency securities	350,638	-	350,638	-
Corporate bonds	1,460,933	-	1,460,933	-
Municipal bonds	259,419	-	259,419	-
Beneficial interests in perpetual trusts	13,860,216	-	-	13,860,216
Total investments in the fair value hierarchy	30,212,418	<u>\$ 14,281,212</u>	<u>\$ 2,070,990</u>	<u>\$ 13,860,216</u>
Investments measured at NAV				
Money market funds	1,902,059			
	<u>\$ 32,114,477</u>			

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - FAIR VALUE MEASUREMENTS - Continued

	2016			
	Fair value	Level 1	Level 2	Level 3
Investments				
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
Total investments in the fair value hierarchy	29,180,363	<u>\$ 13,082,400</u>	<u>\$ 2,213,209</u>	<u>\$ 13,884,754</u>
Investments measured at NAV				
Money market funds	1,168,827			
	<u>\$ 30,349,190</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, 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	35,415	13,849,339
Realized and unrealized gains, net	1,249	284,250
Distributions and withdrawals	(36,664)	(273,374)
Balance on June 30, 2017	<u>\$ -</u>	<u>\$ 13,860,216</u>

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

	2017 Fair value	2016 Fair value	Redemption frequency	Redemption notice period
Money market fund (a)	\$ 110,991	\$ 387,167	daily	none
Money market fund (a)	1,959	3,465	daily	none
Money market fund (b)	1,663,164	626,891	daily	none
Money market fund (c)	125,945	151,304	daily	none

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - FAIR VALUE MEASUREMENTS - Continued

- (a) These funds seek to maintain liquidity and pursues current income consistent with stability of principal. The funds primarily invest in short-term U.S. government securities which includes treasury securities and repurchase agreements collateralized by U.S. Treasury and government agency securities.
- (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 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.
- (c) 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:

	2017	2016
Land	\$ 98,014	\$ 98,014
Land improvements	57,130	57,130
Buildings	44,668,318	43,714,317
Equipment	3,035,281	2,914,838
Vehicles	134,048	132,548
	<hr/>	<hr/>
Total property in service	47,992,791	46,916,847
Accumulated depreciation	(16,807,609)	(15,579,080)
Construction in progress	33,788	19,204
	<hr/>	<hr/>
	\$ 31,218,970	\$ 31,356,971

Depreciation expense was \$1,228,529 and \$1,046,812 for the years ended June 30, 2017 and 2016, 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 \$2,880,000 and \$3,420,000 at June 30, 2017 and 2016, 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. In management's opinion the University has complied with the covenants. 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, 2017 and 2016

NOTE G - BONDS PAYABLE - Continued

Scheduled principal payments on the bonds payable at June 30, 2017 are as follows:

Year ending June 30,	
2018	\$ 540,000
2019	590,000
2020	600,000
2021	600,000
2022	550,000
	<hr/>
	\$ 2,880,000

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 \$490,601 and \$515,536 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016

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.

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:

	2017		Total
	Temporarily restricted	Permanently restricted	
Endowment net assets, July 1, 2016	\$ 2,219,011	\$ 26,832,748	\$ 29,051,759
Gifts and bequests	-	307,650	307,650
Interest and dividends	284,287	-	284,287
Realized and unrealized gains, net	1,895,594	11,775	1,907,369
Appropriation for expenditure	(1,053,634)	-	(1,053,634)
Endowment net assets, June 30, 2017	\$ 3,345,258	\$ 27,152,173	\$ 30,497,431

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - ENDOWMENT FUND - Continued

	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

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, 2017 and 2016.

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 \$50,107 and \$62,974 for the years ended June 30, 2017 and 2016, 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,	
2018	\$ 35,671
2019	21,517
2020	7,468
Total	\$ 64,656

NOTE L - ADVANCEMENT EXPENSES

The University incurred development and fund-raising expenses amounting to \$470,252 and \$463,800 for the years ended June 30, 2017 and 2016, respectively. Such amounts are included in institutional support expenses in the accompanying combined statement of activities.

NOTE M - CONCENTRATIONS OF CREDIT RISK

The University 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, 2017 and 2016.

Kansas Wesleyan University and Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE N - 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, 2017 and 2016, student loans represented 1.4% 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:

	2017	2016
Federal government loan programs	\$ 1,110,535	\$ 1,127,240
Allowance for uncollectible accounts	(170,000)	(170,000)
	\$ 940,535	\$ 957,240

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 \$693,539 and \$762,937 at June 30, 2017 and 2016, 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, 2017	\$ 829	\$ 483	\$ 349,366	\$ 350,678
June 30, 2016	809	441	313,907	315,157

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,			
	2017		2016	
	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	\$ 8,820,549	53.8 %	\$ 8,206,294	54.1 %
Spring	7,763,391	47.4	7,371,645	48.6
Part time				
Fall	273,397	1.7	229,002	1.5
Spring	262,341	1.6	262,848	1.7
Summer	156,040	1.0	115,597	0.8
	<u>17,275,718</u>	<u>105.4</u>	<u>16,185,386</u>	<u>106.6</u>
Graduate	649,639	4.0	508,138	3.3
Fees	252,866	1.5	261,002	1.7
Gross tuition and fees	<u>18,178,223</u>	<u>110.9</u>	<u>16,954,526</u>	<u>111.7</u>
Less: Scholarships and other aid				
Scholarships	(6,685,367)	(40.8)	(4,969,927)	(32.7)
Awards	(1,567,038)	(9.6)	(1,399,023)	(9.2)
Discounts	(461,245)	(2.8)	(1,521,293)	(10.0)
Total scholarships and other aid	<u>(8,713,650)</u>	<u>(53.2)</u>	<u>(7,890,243)</u>	<u>(52.0)</u>
Net tuition and fees	<u>9,464,573</u>	<u>57.8</u>	<u>9,064,283</u>	<u>59.7</u>
Gift revenues				
Scholarship gifts	74,076	0.5	84,927	0.6
Unrestricted gifts	485,154	3.0	530,489	3.5
Total gift revenues	<u>559,230</u>	<u>3.4</u>	<u>615,416</u>	<u>4.1</u>
Grant revenues				
Student assistance - Federal Work-Study				
Program	79,653	0.5	79,653	0.5
Miscellaneous	37,670	0.2	64,780	0.4
Total grant revenues	<u>117,323</u>	<u>0.7</u>	<u>144,433</u>	<u>1.0</u>
Other revenues				
Realized and unrealized gains, net	70,605	0.4	9,550	0.1
Interest and dividends	21,532	0.1	46,609	0.3
Miscellaneous	123,572	0.8	75,414	0.5
Total other revenues	<u>215,709</u>	<u>1.3</u>	<u>131,573</u>	<u>0.9</u>
Total educational and general	<u>10,356,835</u>	<u>63.2</u>	<u>9,955,705</u>	<u>65.6</u>

Kansas Wesleyan University and Foundation

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

	Year ended June 30,			
	2017		2016	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Auxiliary enterprises				
Housing system				
Apartments	\$ 195,956	1.2 %	\$ 190,038	1.3 %
Resident halls	1,478,471	9.0	1,240,019	8.2
Other facilities	107,411	0.7	104,021	0.7
Shriwise dining hall	2,411,278	14.7	2,282,916	15.0
Total housing system	<u>4,193,116</u>	<u>25.6</u>	<u>3,816,994</u>	<u>25.1</u>
Other auxiliary enterprises				
Bookstore	249,692	1.5	214,938	1.4
Ticket sales	24,990	0.2	25,166	0.2
Vending operations	5,539	0.0	5,859	0.0
Other sales	984	0.0	941	0.0
Total other auxiliary enterprises	<u>281,205</u>	<u>1.7</u>	<u>246,904</u>	<u>1.6</u>
Total auxiliary enterprises	<u>4,474,321</u>	<u>27.3</u>	<u>4,063,898</u>	<u>26.8</u>
Total revenues and gains	<u>14,831,156</u>	<u>90.5</u>	<u>14,019,603</u>	<u>92.4</u>
Reclassifications and transfers				
Net assets released from restrictions excluding capital expenditure releases				
Endowment scholarship and restricted distributions	1,553,634	9.5	1,124,537	7.4
Special projects	-	-	36,728	0.2
Total net assets released from restrictions excluding capital expenditure releases	<u>1,553,634</u>	<u>9.5</u>	<u>1,161,265</u>	<u>7.6</u>
Total revenues, gains, reclassifications and selected transfers from other unrestricted funds	<u>16,384,790</u>	<u>100.0</u>	<u>15,180,868</u>	<u>100.0</u>

Kansas Wesleyan University and Foundation

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

	Year ended June 30,			
	2017		2016	
	Amount	Amount as a percentage of operations funding	Amount	Amount as a percentage of operations funding
Expenses				
Educational and general				
Instructional				
Art	\$ 143,061	0.9 %	\$ 156,968	1.0 %
English	87,542	0.5	142,290	0.9
Language	6,905	0.0	7,041	0.0
Music				
Instrumental	203,689	1.2	185,575	1.2
Vocal	176,438	1.1	156,917	1.0
Speech and theatre	175,525	1.1	169,902	1.1
Communications	149,137	0.9	142,136	0.9
Religion and philosophy	110,282	0.7	88,315	0.6
Accounting	81,334	0.5	48,299	0.3
Education	270,882	1.7	253,787	1.7
Health, physical education and recreation				
	148,503	0.9	182,456	1.2
Biology	138,999	0.8	105,981	0.7
Chemistry	218,207	1.3	153,482	1.0
Mathematics	85,681	0.5	80,207	0.5
Computer science	255,723	1.6	231,622	1.5
Physics	92,808	0.6	70,395	0.5
Sociology and criminal justice	240,157	1.5	241,136	1.6
Psychology and addictions	202,029	1.2	152,750	1.0
History	142,116	0.9	133,860	0.9
Business administration	321,191	2.0	323,498	2.1
Nursing	486,399	3.0	636,975	4.2
Other	13,619	0.1	-	-
	<u>3,750,227</u>	<u>22.8</u>	<u>3,663,592</u>	<u>24.1</u>
Academic support				
Academic Dean's office	364,917	2.2	365,707	2.4
Library	264,627	1.6	296,167	2.0
Student success center	82,911	0.5	66,013	0.4
Total academic support	<u>712,455</u>	<u>4.3</u>	<u>727,887</u>	<u>4.8</u>
Student services				
Admissions	628,071	3.8	544,777	3.6
Enrollment services	381,340	2.3	390,897	2.6
Student life	755,130	4.6	737,846	4.9
Total student services	<u>1,764,541</u>	<u>10.8</u>	<u>1,673,520</u>	<u>11.0</u>

Kansas Wesleyan University and Foundation

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

	Year ended June 30,			
	2017		2016	
	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	\$ 365,700	2.2 %	\$ 318,816	2.1 %
Athletic training	211,837	1.3	162,572	1.1
Athletics - men	1,022,261	6.2	1,128,485	7.4
Athletics - women	745,777	4.6	750,368	4.9
Total athletics	2,345,575	14.3	2,360,241	15.5
Institutional support				
President's office	467,090	2.9	458,466	3.0
Board of Trustees	13,820	0.1	9,437	0.1
Advancement and alumni office	470,228	2.9	463,800	3.1
Publicity office	463,007	2.8	482,184	3.2
Business office	456,078	2.8	314,427	2.1
Post office	36,768	0.2	30,888	0.2
Information systems	678,328	4.1	587,182	3.9
Insurance	309,758	1.9	335,177	2.2
Tuition remission	55,936	0.3	111,319	0.7
General	183,155	1.1	286,025	1.9
Total institutional support	3,134,168	19.1	3,078,905	20.3
Operation and maintenance of plant				
Maintenance department	297,348	1.8	240,525	1.6
Depreciation	423,684	2.6	366,783	2.4
Utilities	365,399	2.2	309,205	2.0
Total operation and maintenance of plant	1,086,431	6.6	916,513	6.0
Other expenses				
Annuity interest	8,784	0.1	14,000	0.1
Bond interest	71,933	0.4	84,353	0.6
Total other expenses	80,717	0.5	98,353	0.6
Total educational and general	12,874,114	78.5	12,519,011	82.5
Auxiliary enterprises				
Housing system				
Apartments	335,378	2.0	301,090	2.0
Dormitories and related facilities	1,157,740	7.1	1,167,662	7.7
Shriwise dining hall	1,112,240	6.8	1,011,890	6.7
Bookstore	355,768	2.2	262,053	1.7
Depreciation	817,738	5.0	692,923	4.6
Total auxiliary enterprises	3,778,864	23.1	3,435,618	22.6
Total expenses	16,652,978	101.6	15,954,629	105.1

Kansas Wesleyan University and Foundation

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

	Year ended June 30,			
	2017		2016	
	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	<u>\$ (268,188)</u>	<u>(1.6) %</u>	<u>\$ (773,761)</u>	<u>(5.1) %</u>
Capital project transactions				
Transfers				
Property, plant and equipment	163,895	1.0	(1,478,462)	(9.7)
Change in bonds outstanding	(540,000)	(3.3)	(540,000)	(3.6)
Bond issuance costs	12,894	0.1	12,807	0.1
Net capital project transactions	<u>(363,211)</u>	<u>(2.2)</u>	<u>(2,005,655)</u>	<u>(13.2)</u>
Total change in unrestricted net assets available for operations including capital projects	<u>(631,399)</u>	<u>(3.9) %</u>	<u>(2,779,416)</u>	<u>(18.3) %</u>
Unrestricted net assets available for operations, beginning of year	<u>1,385,328</u>		<u>4,164,744</u>	
Unrestricted net assets available for operations, end of year	<u>\$ 753,929</u>		<u>\$ 1,385,328</u>	

Kansas Wesleyan University and Foundation

SCHEDULE OF AGENCY FUNDS

Fund	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
Accounting Club	\$ (465)	\$ -	\$ -	\$ (465)
Alpha Chi	(1,469)	3,392	(3,117)	(1,194)
Alumni Association	(8,887)	8,076	(6,687)	(7,498)
Ambassadors	(898)	-	-	(898)
Art Club	(481)	-	(500)	(981)
Art Department	(3,747)	500	(998)	(4,244)
Astronomy Club	(434)	-	-	(434)
Athletic Hall of Fame	(303)	1,496	-	1,193
Athletic Training Club	(1,008)	-	(125)	(1,133)
Athletic Training Dept	(2,710)	685	(25,835)	(27,860)
Band	(1,216)	1,097	(1,060)	(1,179)
Best of KWU Program	(3,383)	1,106	(90)	(2,367)
Beta-Beta-Beta	(815)	-	-	(815)
Biology Club	(221)	742	(495)	26
Booster - Athletics	(49,637)	230,461	(324,770)	(143,946)
Business Club - SIFE	(1,821)	-	-	(1,821)
Center for Teaching Excellence	(12,054)	-	(85)	(12,139)
Chi Alpha	405	-	-	405
CMENC	(1,393)	-	-	(1,393)
College Music Ed Natl Cf	(154)	-	-	(154)
College Society for Gamers	(522)	-	(125)	(647)
Computer Club	842	-	-	842
Concessions	36,907	7,671	(7,633)	36,944
Corpus Juris Club	(595)	365	(200)	(430)
Drama Club	(608)	476	(280)	(412)
Dudley Emergency Fund	(4,838)	-	-	(4,838)
FCA	(247)	1,563	(900)	416
Flower Fund	303	176	(263)	216
Geology Club	(5,633)	-	-	(5,633)
George Richards Lecture	(19,349)	-	(2,132)	(21,482)
History Events	484	1,992	(1,593)	884
HPER Club	(6,635)	859	(2,084)	(7,860)
HPER Equipment Fund	(12,282)	-	-	(12,282)
International Club	(1,023)	-	-	(1,023)
KWU Academic Dean	(2,842)	199	-	(2,643)
KWU Chemistry Club	(268)	-	(60)	(328)
KWU China Choir Tour	2,148	-	-	2,148
KWU Choir	(1,886)	11,719	(15,231)	(5,398)
KWU Ham Radio Club	(382)	-	(240)	(622)
KWU Psychology Club	317	2,641	(1,650)	1,308
KWU Rec2Reality	(3,996)	2,504	(700)	(2,192)

Kansas Wesleyan University and Foundation

SCHEDULE OF AGENCY FUNDS - CONTINUED

Fund	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
Language	\$ (2,428)	\$ -	\$ -	\$ (2,428)
Math Department	(858)	-	(250)	(1,108)
Media Club	(913)	733	(625)	(805)
Medical/Health Assn	(1,032)	-	-	(1,032)
Miscellaneous	(831)	-	(994)	(1,824)
Multicultural Student	(70)	60	(1,250)	(1,260)
Music Booster Club	(1,155)	-	-	(1,155)
Music Internships	(4,836)	-	-	(4,836)
Night with the Yotes	(3,740)	84,884	(83,313)	(2,169)
Nursing Program Fund	(2,577)	-	(1,468)	(4,045)
Outdoor Adventure Club	(483)	-	-	(483)
Phi Alpha Theta	(893)	50	(500)	(1,343)
Pi Kappa Delta	(4,360)	17,221	(15,861)	(3,001)
Poker Club	(297)	-	-	(297)
Republicans - College	(254)	-	-	(254)
Salina All-Amer Prev Ptn	-	104	-	104
Scoreboard	-	6,520	-	6,520
Senior Class Gifts	(1,433)	-	-	(1,433)
SNEA	(148)	410	(1,660)	(1,398)
Society of Physics	(1,285)	-	-	(1,285)
State Musical Festival	(797)	10,522	(10,175)	(449)
Sting Academy	-	190	(300)	(110)
Strings Program	756	4,035	(5,310)	(519)
Student Nursing Organization	(930)	1,017	(797)	(710)
Student Technology Assn	(2,435)	-	-	(2,435)
Theophils	(10)	-	-	(10)
U.S. Treasury	(1,880)	8,409,387	(8,409,387)	(1,880)
Women's Auxiliary - Operations	(6,744)	4,170	(2,342)	(4,916)
Women's Auxiliary - Special	(1,103)	-	(1,170)	(2,273)
Woodworth Fellowship	(24,640)	12,502	(24,624)	(36,763)
Other	(99)	262	-	163
Totals	\$ (181,142)	\$ 8,860,676	\$ (8,985,574)	\$ (306,039)

Kansas Wesleyan University and Foundation

SCHEDULE OF KANSAS WESLEYAN UNIVERSITY FOUNDATION ASSETS AND DISTRIBUTIONS

As of and for the year ended June 30,

	2017	2016
Assets managed under agency agreements		
Greater Salina Community Foundation	\$ -	\$ 16,623
Waddell & Reed	352,269	332,731
Advantage Trust Company	3,873,268	3,226,724
UMB Bank, N.A.	6,508,295	6,020,438
Sunflower Bank, N.A.	5,751,010	5,392,118
Total assets managed under agency agreements	16,484,842	14,988,634
Amounts due from (to) Kansas Wesleyan University	(25,000)	27,439
Net assets managed under agency agreements	16,459,842	15,016,073
 Assets held under beneficial interest in perpetual trusts	 278,603	 254,465
 Total net assets	 \$ 16,738,445	 \$ 15,270,538
 Endowment appropriations from the Foundation to the University		
Operations	\$ 234,947	\$ 271,946
Scholarships	482,827	470,938
Specific purposes or projects	20,602	8,754
Total appropriations	\$ 738,376	\$ 751,638
 Transfers from the Foundation to the University		
Payment for services	\$ 60,000	\$ 60,000



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