

MINUTES OF THE HOUSE HIGHER EDUCATION COMMITTEE

The meeting was called to order by Chairman Terrie Huntington at 1:30 p.m. on February 3, 2009, in Room 786 of the Docking State Office Building.

All members were present.

Committee staff present:

Renaë Jefferies, Office of the Revisor of Statutes  
Mary Galligan, Kansas Legislative Research Department  
Jennifer Horchem, Kansas Legislative Research Department  
Kay Scarlett, Committee Assistant

Conferees appearing before the committee:

Richard Lariviere, Provost, University of Kansas  
Danny Anderson, Vice Provost for Academic Affairs, University of Kansas  
Marlesa Roney, Vice Provost for Student Success, University of Kansas  
Kevin Corbett, President and CEO of the KU Alumni Association  
Lydia Peele, Student Body President, Kansas State University  
Luke Bobo, President, Black Alumni Chapter, KU Alumni Association (written only)  
Diane Duffy, Vice President, Finance and Administration, Kansas Board of Regents (written only)

Others attending:

See attached list.

**HB 2007 - State educational institutions; waiver fees and tuition at undergraduate and graduate levels**

Chairman Huntington opened the hearing on **HB 2007**. Renaë Jefferies, Office of the Revisor of Statutes, explained that **HB 2007** would allow the Board of Regents to authorize a state education institution to award a grant to a student in the form of a waiver of tuition and fees. In line 22 of the bill the words “postgraduate and doctoral” are stricken and the word “educational” is inserted. In lines 25 and 26 obsolete language is stricken from the bill. According to the fiscal note on this bill there would be no fiscal effect on the Board of Regents and the state institutions. (Attachment 1)

A panel of administrators from the University of Kansas including, Richard Lariviere, Provost; Danny Anderson, Vice Provost for Academic Affairs; Marlesa Roney, Vice Provost for Student Success; and Kevin Corbett, President and CEO of the KU Alumni Association, appeared in support of **HB 2007** to give the Board of Regents the authority to allow creation of tuition and fee waiver programs to boost recruitment of nonresident students. If the bill is enacted, one of the proposals the University of Kansas will develop and present to the Regents for review is a Jayhawk Generations Tuition Plan. The plan would be based on partial waivers that will allow the university to reduce out-of-state tuition for those students who qualify. To be eligible, out-of-state students must have at least one parent, grandparent, or legal guardian who graduated from KU; they must also meet all KU admissions requirements. Similar legacy programs are in use in Nebraska, Iowa, Missouri and Oklahoma.. The administrators believe a tuition plan like this provides a financial incentive that makes KU and Kansas more attractive to the students who have the potential to contribute to our workforce, noting that Secretary of Commerce David Kerr has indicated that he endorses this proposal. (Attachment 2)

Lydia Peele, Student Body President, Kansas State University, testified in support of **HB 2007** to allow universities to adjust tuition and fees for selected, talented nonresident students. At K-State they believe this legislation would provide flexibility by helping K-State attract and retain bright students to add to the size and diversity of their student body. (Attachment 3)

Diane Duffy, Vice President, Finance and Administration, Kansas Board of Regents, presented written testimony in support of **HB 2007**. In response to committee concerns, she emphasized that although this legislation would amend current law to allow state universities to waive partial tuition and fees for both undergraduate and graduate nonresident students, all programs must be approved by the Board of Regents. (Attachment 4)

## CONTINUATION SHEET

Minutes of the House Higher Education Committee at 1:30 p.m. on February 3, 2009, in Room 786 of the Docking State Office Building.

Luke Bobo, President, Black Alumni Chapter, KU Alumni Association, submitted written testimony in support of **HB 2007**. (Attachment 5)

There being no opponents, the hearing on **HB 2007** was closed.

In response to questions that arose during her presentation on January 28, Diane Duffy, Vice President, Finance and Administration, Kansas Board of Regents, provided the following information:

- Information provided by each of the board-governed state universities and responses provided by the coordinated institutions about the structure of athletics within their university/college and a general description of financing.
- University-controlled organizations that by state law are required to submit an annual audit by a CPA firm to the Board and the Legislative Post Audit.
- Two examples of independent auditor's reports: Kansas Athletics, Incorporated, Financial Statements, June 30, 2008, and Wichita State University Intercollegiate Athletic Association, Inc., June 30, 2008. (Attachment 6)

Ms. Duffy also provided an update on funding challenges facing higher education in Kansas and discussed deferred maintenance at the state's universities and colleges. (Attachments 7 and 8, respectively)

The meeting was adjourned at 2:50 p.m. The next meeting of the House Higher Education Committee is scheduled for February 4, 2009.

# HOUSE HIGHER EDUCATION COMMITTEE GUEST LIST

DATE February 3, 2009

NAME	REPRESENTING
KEITH D. PANGBURN	KEARNEY ASSOC.
Jennifer J Sanner	University of Kansas Alumni Assoc.
Jennifer Aldredice	KU Alumni Association
HOWARD SMITH	PITTSBURG STATE UNIVERSITY
Linda Ford	KACCT
DICK CARTER	JCCC
Piper Hoskins	Kansas State University
Wayne Stoskopf	Kansas State University
Ashley Phelon	Kansas State University
Tyler Sharp	Kansas State University
Addison Kirkland	Kansas State University
Cassie Brickell	Emporia State University
Hannah Belton	Emporia State University
Jonathan Krueger	Emporia State University
Lydia Peele	Kansas State University
Drume Duff	<del>KS</del> KS Board of Regents
Katy Pannan	KU
Tyler Augles	Ft. Hays St. U
Pilar Quinlan	Ft. Hays State

# HOUSE HIGHER EDUCATION COMMITTEE GUEST LIST

DATE February 3, 2009

NAME	REPRESENTING
Kyle Sexson	Fort Hays St. Univ.
David Boucher	Intern-Rep. Mah
Tyler Thompson	Fort Hays State University
Dustin Engel	Fort Hays State



Office of Revisor of Statutes  
300 S.W. 10<sup>th</sup> Avenue  
Suite 010-E, Statehouse  
Topeka, Kansas 66612-1592  
Telephone (785) 296 -2321 FAX (785) 296-6668

MEMORANDUM

To: House Committee on Higher Education  
From: Renae Jefferies, Assistant Revisor  
Date: February 3, 2009  
Subject:: House Bill No. 2007

HB 2007 amends K.S.A. 2008 Supp. 76-719c to allow the Board of Regents to authorize a state educational institution to award a grant to a student in the form of a waiver of tuition and fees.

In line 22 of the bill the words “postgraduate and doctoral” are stricken and the word “educational” is inserted.

In lines 25 and 26 obsolete language is stricken from the bill.

According to the fiscal note on this bill there would be no fiscal effect on the Board of Regents and the state institutions.

**Testimony from the University of Kansas in support of the  
Kansas Board of Regents legislative initiative, House Bill 2007**

**Declining number of Kansas high school graduates necessitates innovation**

Richard Lariviere, Provost

I am Richard Lariviere, Provost of the University of Kansas, and I thank you for the opportunity to provide testimony in support of House Bill 2007.

Over the next decade, the number of students graduating from Kansas high schools will decline and so may the number of Kansas-educated college graduates entering the state workforce.

House Bill 2007 provides a way to address these declines. It provides a tool for advancing the state's educational mission, promoting workforce development, managing enrollment, and encouraging diversity on our state university campuses.

The bill makes it possible for state universities to create incentives that will attract a larger number of qualified out-of-state students to Kansas. Such incentives will target out-of-state students who already have a family connection to Kansas and who may be more likely to remain in Kansas after they graduate, thus contributing to the Kansas workforce and our economic future.

This bill accomplishes this goal by amending a current statute that authorizes a limited program of waivers for graduate students. The amendments authorize the Board of Regents to consider and approve a broader range of programs, as proposed by state universities. Such programs will attract additional students, provide enrollment stability, and graduate young adults who may become a part of Kansas' economic future. Secretary of Commerce David Kerr has indicated to me that he endorses this proposal.

My colleagues on this panel will briefly explain what such a plan would look like, how students might respond, and how enthusiastically the KU Alumni Association supports such a program.

**New opportunity created by House Bill 2007: Jayhawk Generations Tuition Plan**

Danny Anderson, Vice Provost for Academic Affairs

My name is Danny Anderson and I am Vice Provost for Academic Affairs at the University of Kansas.

Many state universities have created legacy tuition programs. These programs provide cost reductions for children whose parents or grandparents are graduates of that particular state university. More specifically, legacy tuition programs reduce the cost difference between resident and non-resident tuition for the children of alumni. In our own region, Nebraska, Iowa, Missouri, and Oklahoma all have legacy tuition plans.

The effect of House Bill 2007 is to give the Board of Regents the authority to review and approve new proposals involving tuition waivers. If the bill is enacted, one of the proposals the University of Kansas will develop and present to the Regents for careful review is a Jayhawk Generations Tuition Plan. I want to briefly describe how such a plan would work.

The plan would be based on partial waivers that will allow the university to reduce out-of-state tuition for those students who qualify. It is important to emphasize that under this plan, Kansas tax dollars will not subsidize the education of out-of-state students; students on the Jayhawk Generations Tuition Plan will pay for the full cost of their education.

To be eligible, out-of-state students must have at least one parent, grandparent or legal guardian who graduated from KU; and they must also meet all KU admissions requirements.

The amount of the partial waiver is determined by one important detail: all out-of-state students pay more in tuition and fees than the cost of their education. This difference creates a margin within which partial tuition waivers can be granted. A sustainable business model for a tuition plan of this nature will be limited to this marginal difference between the higher out-of-state tuition rate and the lower actual cost of education.

A partial tuition waiver will allow KU to adjust the out-of-state tuition rate for qualified students. The end result is that the Jayhawk Generations student receives a discount on out-of-state tuition but also pays a rate that covers the full cost of his or her education at KU and still at a rate significantly above what a Kansas resident pays.

This plan can serve to strengthen the academic profile of the student body. Academic achievement would be a factor in the amount of the waiver. A tiered system would award partial waivers according to academic achievement as measured by standardized test scores and high school grades; high ability students would receive a larger waiver, while still paying for the full cost of their education. Similarly, the plan encourages academic achievement among continuing students. In order to continue participating in the Jayhawk Generations Tuition Plan, students will be required to remain in academic good standing by maintaining a certain cumulative grade point average.

In summary, a tuition plan like this provides a financial incentive that makes KU and Kansas more attractive to the students who have the potential to contribute to our workforce. It also provides KU with a sound management tool for maintaining a stable enrollment.

**Plan would increase the number of qualified out-of-state students who come to Kansas**  
Marlesa Roney, Vice Provost for Student Success

I am Marlesa Roney, Vice Provost for Student Success at the University of Kansas.

One of the key features of this tuition model is that it will attract students who already have family ties to our universities and to the state of Kansas.

Each year KU admits qualified out-of-state students whose parents or grandparents graduated from the University of Kansas. However, the number of out-of-state legacy students who attend KU is lower than we would like and the Jayhawk Generations Tuition Plan will entice more of these students to attend KU.

In recent years, we typically have about 450 admitted students who would be eligible to be Jayhawk Generations students. At present, only about one-third (150) of these potential out-of-state legacy students end up attending KU. At the same time, as out-of-state students, they pay almost \$10,000 more in tuition than Kansas residents, and this difference is an obstacle for many.

The Jayhawk Generations Tuition Plan will be embraced strongly by these potential students and their families because:

- Scholarship dollars at KU are highly competitive and a larger proportion are awarded to Kansas residents;
- A Jayhawk Generations Tuition Plan will reduce the total cost of education for qualified out-of-state students, while still covering at least 100% of the cost of their education; and
- Being designated a Jayhawk Generations student will be a mark of prestige.

These features make a compelling reason to consider going to school in Kansas and will increase the number of potential out-of-state students who actually attend KU, thus offsetting the demographic decline in the state.

### **Alumni: Jayhawk Generations Tuition Plan will help KU compete nationally**

Kevin Corbett, President and CEO of the KU Alumni Association

My name is Kevin Corbett and I am President and CEO of the KU Alumni Association, which represents nearly 200,000 graduates and more than 46,000 members. House Bill 2007 answers the most recurring request of graduates living outside Kansas who want their children to follow in their footsteps and attend the University of Kansas.

Two years ago, in the most comprehensive survey of KU alumni in our 126-year history, which more than 60,000 graduates responded to, we heard loudly and clearly that our alumni strongly desire a program like the Jayhawk Generations Tuition Plan.

The most vocal graduates live in nearby states -- Oklahoma, Missouri, Nebraska, and Iowa -- which have out-of-state legacy programs, putting KU at a significant competitive disadvantage in recruiting quality students to Kansas. We also heard from alumni living in Alabama, Arkansas, Kentucky and other states which have legacy programs.

The KU Alumni Association has more than 20 alumni chapters across Kansas, covering all counties. The chapters are led by more than 500 volunteers who are highly supportive of House Bill 2007. They recognize that the value of their own KU degree depends on KU's ability to recruit students who provide the diversity KU needs to remain a world

class public university. Our black graduates who live outside Kansas are among the strongest advocates of this bill. They see the legacy program as an opportunity build legacies of black students and alumni, while adding to KU's diversity.

There are 114,000 KU graduates who live out of state compared to 79,000 living in state. This past year, non-resident alumni gave \$17.5 million in contributions to the KU Endowment Association as opposed to \$16.3 million from Kansas resident alumni. I cite these figures simply to give you an idea of the donations that out-of-state alumni make back to KU and the state, investments that the University turns into jobs, scholarships, and infrastructure improvements such as building construction.

We are confident that a program like the one this bill would allow will be successful and that both KU and the State of Kansas will benefit educationally and economically from bringing Jayhawk legacies back to Kansas.

### **House Bill 2007 gives universities the flexibility to innovate**

Richard Lariviere, Provost

As members of our state legislature, you are all looking at challenging times for making decisions. Within the state universities we also see challenges ahead as we examine demographic trends and seek ways to use our instructional resources efficiently and to full capacity.

We appreciate the support you have given to higher education in the past and we are here to ask you, as members of the House Higher Education Committee, to be advocates for House Bill 2007. If this bill is approved, I expect that other state universities may also develop plans appropriate to their institutions and that this change will benefit the entire state university system.



Knocking at the College Door

# KANSAS

## Public and Nonpublic High School Graduates 1991-92 through 2021-22

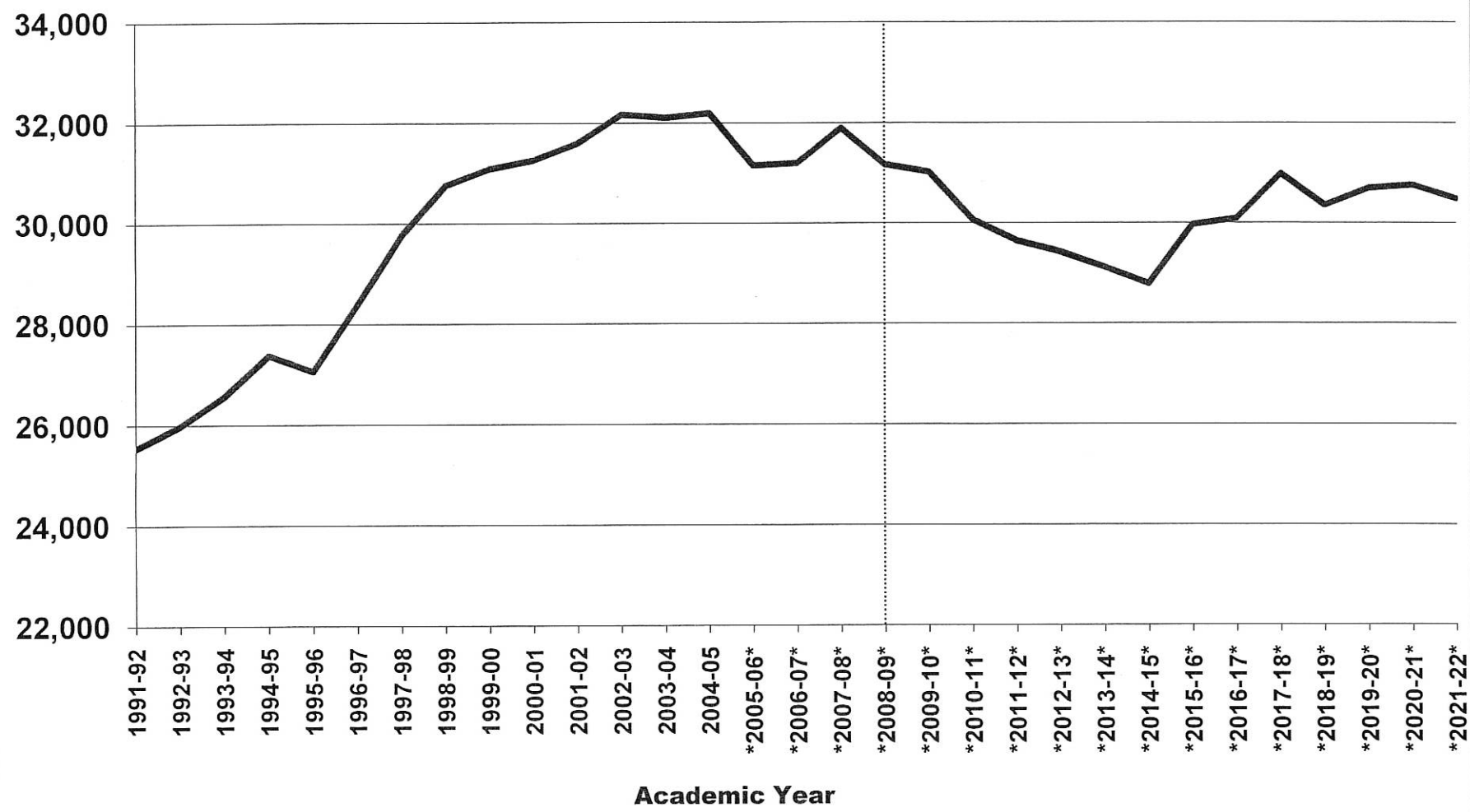
ACADEMIC YEAR	RACE/ETHNICITY TOTAL	PUBLIC BY RACE/ETHNICITY					PUBLIC TOTAL	NONPUBLIC TOTAL	PUBLIC & NONPUBLIC TOTAL
		American Indian/Alaska Native	Asian/Pacific Islander	Black non-Hispanic	Hispanic	White non-Hispanic			
1991-92	24,129	165	494	1,533	818	21,119	24,129	1,409	25,538
1992-93	24,720	198	526	1,368	931	21,697	24,720	1,263	25,983
1993-94	25,319	189	548	1,472	1,007	22,103	25,319	1,255	26,574
1994-95	26,125	200	594	1,587	1,096	22,648	26,125	1,258	27,383
1995-96	25,786	237	559	1,556	1,049	22,385	25,786	1,274	27,060
1996-97	26,648	254	573	1,617	1,117	23,087	26,648	1,747	28,395
1997-98	27,856	275	594	1,699	1,203	24,085	27,856	1,909	29,765
1998-99	28,685	256	599	1,736	1,252	24,842	28,685	2,071	30,756
1999-00	29,102	275	681	1,766	1,205	25,175	29,102	1,987	31,089
2000-01	29,360	271	702	1,844	1,323	25,220	29,360	1,903	31,263
2001-02	29,541	283	685	1,856	1,498	25,219	29,541	2,056	31,597
2002-03	29,907	319	687	1,948	1,680	25,273	29,963	2,209	32,172
2003-04	29,963	407	703	2,157	1,758	24,938	30,155	1,951	32,106
2004-05	30,040	374	684	2,229	2,019	24,734	30,355	1,841	32,196
2005-06	28,612	343	730	2,005	1,846	23,688	29,404	1,749	31,153
2006-07	28,697	357	719	2,096	2,050	23,474	29,480	1,718	31,197
2007-08	29,026	397	676	2,149	2,237	23,567	30,034	1,866	31,899
2008-09	28,180	401	719	2,189	2,234	22,637	29,398	1,770	31,168
2009-10	27,992	369	697	2,072	2,427	22,427	29,394	1,626	31,020
2010-11	26,850	373	705	1,947	2,450	21,374	28,485	1,578	30,063
2011-12	26,361	378	720	1,966	2,524	20,772	28,160	1,486	29,646
2012-13	26,010	389	680	1,785	2,639	20,517	27,948	1,477	29,425
2013-14	25,662	367	773	1,683	2,677	20,163	27,759	1,360	29,119
2014-15	25,243	362	783	1,647	2,810	19,641	27,543	1,253	28,796
2015-16	25,907	398	792	1,682	3,095	19,940	28,528	1,437	29,965
2016-17	25,847	394	757	1,601	3,111	19,984	28,631	1,456	30,086
2017-18	27,146	473	899	1,680	3,767	20,326	29,502	1,475	30,978
2018-19	26,632	501	864	1,639	3,856	19,772	28,919	1,428	30,347
2019-20	26,880	489	991	1,695	3,908	19,798	29,247	1,441	30,688
2020-21	26,952	514	1,028	1,619	4,213	19,579	29,296	1,459	30,754
2021-22	26,716	542	957	1,626	4,227	19,364	29,033	1,447	30,480

Notes: The "Race/Ethnicity Total" column equals the sum of the five racial/ethnic group columns. It will not equal the "Public Total" column in the projected years and also may not for the years in which actual data are reported if the state collects data on additional racial/ethnic groups. Detailed, state specific notes concerning these tables can be found in Appendix B.

Actual  
 Projected



### Kansas High School Graduates Actual and \*Projected\*





**Student Governing Association**  
Office of Student Activities and Services  
809 K-State Student Union  
Manhattan, KS 66506-2800  
785-532-6541  
Fax: 785-532-7292  
[www.ksu.edu/sga](http://www.ksu.edu/sga)

## Testimony on HB2007

Presented to the House Higher Education Committee

Tuesday February 3, 2009

Presented by Lydia Peele, Student Body President, Kansas State University

Madame Chair and Members of the Committee:

My name is Lydia Peele, I am serving as President of the Kansas State Student Body. I am pleased to be here today to support HB 2007.

This is an important piece of legislation for all of State Universities. At K-State we are very interested in seeing the passage of this bill. This bill would give flexibility to K-State by allowing us to adjust tuition for selected, talented non-resident students seeking to attend K-State. Students, who for example, might live in Missouri or Texas but have parents who attended K-State and possibly have grandparents living in Kansas could attend K-State for less than full non-resident tuition. These particular students might be charged in-state tuition plus a higher differential tuition rate.

At K-State we believe this legislation would provide flexibility by helping K-State attract and retain bright students to add to the size and diversity of our student body.

Thank-you and I would be happy to answer the Committee's questions.

House Higher Education Committee  
February 3, 2009  
Attachment 3



# KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

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February 3, 2009

Representative Terrie Huntington, Chair  
House Higher Education Committee  
Docking State Office Building  
Topeka, KS 66612

Representative Ann Mah, Ranking Member  
House Higher Education Committee  
Docking State Office Building  
Topeka, KS 66612

Dear Chairwoman Huntington and Ranking Member Mah:

On behalf of the Kansas Board of Regents, I write to you in support of House Bill 2007, legislation that would amend current law to allow state universities, with the approval of the Board of Regents, to provide scholarships, fellowships, and tuition and fee waivers to both undergraduate and graduate students for their educational programs. As written currently K.S.A. 76-719c(a) applies only to graduate students and does not include tuition and fee waivers. Subsection (b) of the statute allows state universities to offer fee waivers, but only to non-resident graduate students who have been awarded a national fellowship.

There are numerous tuition reduction programs in operation today, such as those for military service members and dependents, graduate teaching assistants, and certain border-state residents. The basis for these current programs fall into two primary categories: groups named in statute and policies that fall within the broad tuition setting authority of the Board. This statutory amendment would align the Board's authority to establish tuition and fees for the state universities with setting and overseeing appropriate policies regarding the provision of scholarships, fellowships, and tuition and fee waivers.

Tuition discounting or "waiving" is the forgiveness of all or part of a student's published tuition price. Discounting can be a way to "attract" students to fill seats or maximize revenue. It can also be an effective enrollment planning and financial management tool.

Tuition revenues, whether from residents or non-residents, are very important to each of our state universities. As a result of legislative changes in 2001, the universities are now funded on a SGF block grant system. Under this method, the Legislature created an incentive for the Board of Regents and the universities to be very careful with the discounting and/or waiving tuition by crediting tuition revenues to the General Fees Fund (the fund where tuition is deposited) of each state university, subject to appropriation by the Legislature, but without an expenditure limit. This approach ensures that that the Board will exercise great care in evaluating to what extent it is in a state university's interest to waive or discount tuition.

Thank you for the opportunity to provide this comment and support of House Bill 2007 which would provide the Board with additional flexibility as it works to fairly balance the State's policy interests in promoting access, affordability, and recruitment against foregone tuition revenues.

Sincerely,

A handwritten signature in cursive script that reads "Diane C. Duffy".

Diane C. Duffy  
Vice-President, Finance and Administration

House Higher Education Committee  
February 3, 2009  
Attachment 4

# LINDENWOOD

LINDENWOOD UNIVERSITY ST. CHARLES, MISSOURI

January 29, 2009

Robert E. Hemenway  
Chancellor  
The University of Kansas  
230 Strong Hall  
Lawrence, KS 66045

OFFICE OF THE PROVOST  
UNIVERSITY OF KANSAS

REC'D JAN 29 2009

REFER \_\_\_\_\_

ACTION \_\_\_\_\_

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

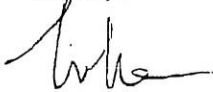
Dear Bob:

As you know, the Black Alumni Chapter of the KU Alumni Association has been extraordinarily active over the past few years with student recruitment efforts nationally and with mentoring programs utilizing black graduates of KU. We have been humbled by the response and interest of alumni and students to build a stronger, more diverse KU.

A recurring topic with black alumni living out-of-state is some level of legacy tuition waiver for the sons and daughters of Black KU alumni. Living in Missouri, I know the University of Missouri has a legacy program to encourage students to follow in their parents footsteps. It occurs to us that in American higher education that not many universities have been able to build minority legacies. We would very much like to build strong legacies of black students at KU, but assistance in the form of tuition waivers is critical to justify the difference in in-state tuition of the students' home state or simply to compete with neighboring Big 12 universities which have legacy programs.

Please consider this opportunity to bring home black alumni legacies to KU and the State of Kansas. We are certain that not only will KU benefit from the value of increased diversity, but also the state's economic and social climates.

Warmly,



Luke Bobo (KU Engineering '82)  
President, Black Alumni Chapter

208 Kylewood Court  
Ballwin, MO 63021-4200  
(636) 227-0512/(636) 949-4676 (ofc)

cc: Kevin J. Corbett, president, KU Alumni Association



# KANSAS BOARD OF REGENTS

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## MEMORANDUM

TO: House Higher Education Committee

FROM: *Diane Duffy* Diane C. Duffy, Vice-President, Finance and Administration

DATE: February 3, 2009

SUBJECT: Follow up from January, 28, 2009 Presentation

During my recent presentation to the Committee, several questions arose regarding athletics and other organizations. I indicated I would provide the Committee with the following information:

1. Attachment 1 is information provided by each of the board-governed state universities and responses provided by the coordinated institutions (Washburn University and Community Colleges) about the structure of athletics within their university/college and a general description of financing.
2. Attachment 2 is a list of university-controlled organizations that by state law (K.S.A. 76-721) are required to submit an annual audit by a CPA firm to the Board and to Legislative Post Audit.
3. Attached are two examples of independent auditor's reports: Kansas Athletics, Incorporated, Financial Statements, June 30, 2008 and Wichita State University Intercollegiate Athletic Association, Inc. , June 30, 2008

I hope this meets with the Committee's expectations. As always, if you have any questions or would like further information, please let me know.

House Higher Education Committee  
February 3, 2009  
Attachment 6



# KANSAS BOARD OF REGENTS

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House Appropriations Hearing  
 Tuesday, January 20, 2009

## How are athletics handled?

President Robinson provided a general response about the structure of athletics within universities and colleges and how the structure of athletics and its financing varies among institutions, but indicated that Board staff would ask the universities and colleges to provide a more specific response. Below is information provided by each of the board-governed state universities and responses provided by the coordinated institutions with athletic programs, Washburn University and the Community Colleges.

### State Universities

#### Wichita State University

The Wichita State University Intercollegiate Athletic Association, Inc., a 501(c)(3) corporation, was incorporated to schedule, manage and promote the intercollegiate athletic program at Wichita State University. The Athletic Association is an affiliated corporation of the University as defined by Regents' policy. The Athletic Association supports eight women's and seven men's sports which compete in Division I of the National Collegiate Athletic Association and in the Missouri Valley Conference.

There is an Athletic Board of Directors, which serves as an advisory body to the President of the University and the Director of Athletics, who reports directly to the President of the University. The Athletic Board consists of nineteen members who are appointed by the President from the following constituencies: twelve University personnel, three students, and four persons from the community. The by-laws of the corporation designate the University's Vice President for Administration and Finance as the Treasurer of the corporation and a member of the Board. One of the University personnel is a faculty member who chairs the Board and another is a faculty member who serves as the Faculty Athletic Representative as called for by the NCAA. The Athletic Board provides the President and the Director of Athletics with its views on significant questions relating to Athletic Association policies and activities. Management functions of the Athletic Association are delegated to the Director of Athletics by the University President. The Financial Statement of Activities for the Year Ended June 30, 2008 reports revenues of \$16,855,502, of which ticket sales (\$3,385,361), student fees (\$2,178,419), private contributions (\$4,543,520), direct university support (\$1,891,948), royalties, licensing, advertising and sponsorships (\$2,055,138) and other revenues (\$2,801,116)



### Kansas State University

The Intercollegiate Athletic Council of Kansas State University, Inc. is a non-profit 501c3 Corporation. It was formed to provide an intercollegiate athletic program for the students, faculty, alumni, guests and visitors of Kansas State University. The corporation is recognized under financial accounting standards as a "component unit" of Kansas State University, and as such their financial information is presented with Kansas State University's in its annual financial report. Consistent with the corporation's articles of incorporation and by-laws, as well as state statute (KSA 76-720), funds are managed on a day-to-day basis outside of the compliance regulations applicable to other funds of Kansas State University. As required by state statute (K.S.A. 76-721), the Intercollegiate Athletic Council of Kansas State University, Inc. annually presents to the University (and the State) an audited financial report. The most recent annual report received was for fiscal year 2008 (FY08). Annual revenues in FY08 were \$48,207,925, annual expenditures were \$41,797,544. The primary sources of revenue are athletic event ticket sales, conference distributions, contributions and game guarantees.

### University of Kansas

Athletics programs at the University of Kansas are operated through a 501(c) affiliated corporation, which is audited annually by external auditors. (The FY 2008 audit is complete.) The FY 2009 budget for the Corporation is \$57.9 million, of which \$1,989,200 is funded from the State General Fund (SGF), or 3.5%. The majority of income comes from private giving, ticket sales, and conference revenues. The SGF allocation is being reduced in the current fiscal year and in FY 2010 will be consistent with the reductions imposed on other departments across the university. Given the state of the economy, a decline in annual giving in the coming year is anticipated.

### Emporia State University

Athletics is part of Emporia State University and is not a separate corporation. In FY 2008, actual expenditures were \$4,212,821. Expenditures were financed from activity fees (\$1,093,931), ticket sales (\$172,279), private contributions (\$794,016), university support (\$1,924,177), and other \$228,418.

### Pittsburg State University

At PSU, Athletics is just another set of departments. It is not separately incorporated. The annual budget is approximately \$4.0M. The breakdown of funding is as follows--SGF/Tuition \$1.7M Student Fees \$1.2M Athletic Revenues, Contributions, Endowments(mainly scholarships) \$1.1M

### Fort Hays State University

Athletics at FHSU is separately incorporated and funded as follows. The FHSU Athletic Association funds \$1,863,151 (including student fees) of an operating budget of \$3,684,486. The balance of operating funds, \$1,821,335, is provided by SGF and tuition funds.

## Coordinated Institutions

### Community Colleges

*Response provided by William A. Wojciechowski, Ed.D., President, Pratt Community College*

All community colleges have athletics, although the number of sports varies among institutions. At the community colleges, budget development follows the same process as budgeting for other departments/functions within the college. Athletic budgets in terms of expenditures generally are based on recent years history of expenditures within the athletic department. Expenditures fall within the categories/line items of salaries, benefits, travel, supplies and equipment, contractual obligations (e.g., game officials' fees, athletic insurance, etc), telephone, printing, etc. Sources of budgeted revenues are the college's general fund---the majority of which is local taxes, auxiliary funds,i.e., student activity fees and other nonpublic monies raised by coaches via a variety of fundraising projects, and foundation/booster club donations. The latter two i.e., auxiliary and foundation/booster funds, are primarily used to fund out of state and international scholarships, selected out of state travel for recruiting and/or tournaments, and special projects. Gate receipts may be deposited back into the general fund or credited to auxiliary funds depending on the college policy since these are considered nonpublic monies. The majority of funds for the daily operations of the athletic department is the college general fund. It is difficult to determine what percentage of a college's athletic expenditures comes from its general fund since the number of sports teams varies from one college to another. These are decisions made by the local board of trustees based on each college's financial situation. During times like these, an informal survey of community colleges indicates that athletic departments budgets are being included in the budget reductions just like other departments within the college."

### Washburn University

*Response provided by Wanda Hill, Treasurer and Chief Financial Officer*

Athletics is budgeted in the general fund for Washburn.

## UNIVERSITY - CONTROLLED ORGANIZATIONS

## KANSAS STATE UNIVERSITY

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
1	Intercollegiate Athletic Council	Operates an inter-collegiate athletics program.	\$50.5	\$48.3	
2	National Institute for Strategic Technology Acquisition and Commercialization	Supports technology advancement, technology transfer, education, and scientific research. Formerly Mid-America Commercialization Corporation.	\$8.4	\$4.1	
3	Union Corporation	Provides student union services and facilities (book store, food service, recreation, meeting space, etc.)	\$3.7	\$4.3	
4	Student Financial Assistance Foundation	Borrows moneys to make student loans that are then sold to Sallie Mae. The net receipts generate moneys that are transferred to the KSU Foundation for awarding scholarships.	\$1.8	\$1.9	Likely to be phased out because the net amounts available from Sallie Mae are decreasing.
5	Veterinary Clinical Outreach	Provides satellite clinical training facilities for the Veterinary Medical Teaching Hospital.	\$1.0	\$0.5	

## KANSAS STATE UNIVERSITY (Continued)

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
6	Idea Center	Provides services and products related to assessment and improvement of teaching, learning, and administrative performance.	\$0.9	\$1.4	
7	Diagnostic and Analytical Services	Support and implement various assessment instruments developed at the University.	\$0.9	\$1.0	First year of operations.
8	Student Publications	Writes, edits, and publishes various publications associated with Kansas State University.	\$0.6	\$1.4	
9	Child Development Center	Operates a day care center and pre-school for children of faculty, staff, and students	\$0.1	\$1.2	As of July 1, 2007, the Center became a department of Kansas State University. At that time, the Center had a negative cash balance and unpaid liabilities. According to University officials, these items were covered by FY 2008 operating revenues.
10	Teachers and Employees Association of Kansas State University	Offers group term life insurance to its members	\$0.3	\$0.2	

**KANSAS STATE UNIVERSITY (Continued)**

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
11	Universal K-State	Assists in development, protection, and application of non-patentable intellectual property at the University.	\$0.1	\$0.1	
12	K-State Comprehensive Tools	Supports and implements various assessment instruments developed at Kansas State University.	\$0.0	\$0.0	

**WICHITA STATE UNIVERSITY**

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
1	Intercollegiate Athletic Association	Operates an inter-collegiate athletics program.	\$14.6	\$18.2	
2	Union Corporation	Provides student union services and facilities (book store, food service, recreation, meeting space, etc.)	\$6.8	\$9.8	

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UNIVERSITY OF KANSAS

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	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
1	Intercollegiate Athletic Association	Operates an inter-collegiate athletics program.	\$100.9	\$64.1	
2	Center for Research	Administers sponsored agreements to conduct research and training	\$94.2	\$127.7	
3	Memorial Corporation	Provides student union services and facilities (book store, food service, recreation, meeting space, etc.)	\$14.8	\$31.9	

UNIVERSITY OF KANSAS MEDICAL CENTER

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
1	Medical Center Research Institute	Administers sponsored agreements to conduct research	\$27.7	\$75.9	
2	Kansas University Physicians	Functions as a flow-through entity between the KU School of Medicine and the Medical Center's clinical departments. It provides administrative support to the departments and gets reimbursed for the related costs.	\$23.0	\$117.7	



UNIVERSITY OF KANSAS MEDICAL CENTER (Continued)

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
3	Wichita Medical Practice Association	Provides medical and health care services to patients of the KU School of Medicine-Wichita	\$13.4	\$14.0	
4	Student Union Corporation	Provides a bookstore, vending machines, and other services to students, faculty, and others	\$1.1	\$0.9	
5	KU Health Partners	Provides administrative support to the KU School of Nursing	\$0.6	\$1.1	

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PITTSBURG STATE UNIVERSITY

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
	NONE REQUIRED				

FORT HAYS STATE UNIVERSITY

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
1	Athletic Association	Operates an inter-collegiate athletics program.	\$0.8	\$1.8	

EUROPEAN STATE UNIVERSITY

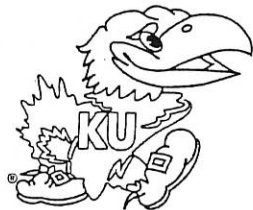
6-10

	ORGANIZATION	FUNCTION	ASSETS (millions)	REVENUES (millions)	COMMENTS
1	Memorial Union Corporation	Provides such services as dining, bookstore, and space to student, faculty, and other parties associated with the University.	\$3.2	\$3.1	

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**KANSAS ATHLETICS,  
INCORPORATED**  
FINANCIAL STATEMENTS  
JUNE 30, 2008

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Kansas Athletics Incorporated  
University of Kansas

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## Independent Auditors' Report

Board of Directors  
Kansas Athletics, Incorporated  
Lawrence, Kansas

We have audited the accompanying statement of financial position of Kansas Athletics, Incorporated (the Corporation), a not-for-profit corporation, as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Athletics, Incorporated as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*RubinBrown LLP*

Overland Park, Kansas  
December 10, 2008

# KANSAS ATHLETICS, INCORPORATED

## STATEMENT OF FINANCIAL POSITION

	June 30,	
	2008	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,244,759	\$ 7,784,323
Accounts receivable, less allowance for doubtful accounts of \$387,187 and \$0 in 2008 and 2007, respectively (Note 13)	4,740,533	5,335,614
Promises to give (Note 3)	11,075,071	9,147,747
Deposits with The Kansas University Endowment Association (Note 4)	27,026,964	21,112,306
Prepays and other assets	578,573	1,106,132
<b>Total Current Assets</b>	<b>51,665,900</b>	<b>44,486,122</b>
Promises To Give (Note 3)	7,160,798	9,105,377
Investments Held Under Bond Indenture/Fund Held By Trustee (Note 9)	1,455,585	1,457,531
Other Assets, Including Bond Issuance Costs	151,126	168,783
Property And Equipment (Note 5)	40,710,161	11,557,821
Deposits With The Kansas University Endowment Association (Note 4)	32,478,188	34,123,034
<b>Total Assets</b>	<b>\$ 133,621,758</b>	<b>\$ 100,898,668</b>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of athletic facilities revenue bonds (Note 9)	\$ 750,000	\$ 725,000
Current portion of capital lease obligation (Note 8)	509,260	480,887
Current portion of contributions payable (Note 7)	463,000	451,000
Current portion of bond issuance premium	31,225	32,728
Due to Kansas University Endowment Association (Note 13)	1,300,100	2,199,949
Accounts payable (Note 13)	6,814,867	4,347,508
Accrued interest payable	283,873	255,082
Accrued expenses and other liabilities	5,944,019	4,729,363
Advance ticket sales	12,793,482	10,886,197
<b>Total Current Liabilities</b>	<b>28,889,826</b>	<b>24,107,714</b>
Athletic Facilities Revenue Bonds (Note 9)	14,315,000	15,065,000
Capital Lease Obligation (Note 8)	2,355,747	2,865,007
Contributions Payable (Note 7)	5,614,781	6,077,781
Note Payable (Note 6)	6,000,000	—
Bond Issuance Premium	243,866	275,091
Due To Kansas University Endowment Association (Note 13)	4,065,477	—
<b>Total Liabilities</b>	<b>61,484,697</b>	<b>48,390,593</b>
<b>Net Assets</b>		
Unrestricted	9,565,335	(15,710,755)
Temporarily restricted (Note 10)	30,093,538	34,095,796
Permanently restricted (Note 10)	32,478,188	34,123,034
<b>Total Net Assets</b>	<b>72,137,061</b>	<b>52,508,075</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 133,621,758</b>	<b>\$ 100,898,668</b>

See the accompanying notes to financial statements.



**KAS ATHLETICS, INCORPORATED**

**STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Support And Gains</b>				
Sports activities income	\$ 18,637,468	\$ —	\$ —	\$ 18,637,468
Conference and NCAA	9,059,390	—	—	9,059,390
Contributions and grants	27,234,262	11,846,450	463,791	39,544,503
Student activity fees	1,907,119	—	—	1,907,119
ESPN Regional Television	6,939,857	—	—	6,939,857
Trademark, licensing and apparel revenue	3,913,059	—	—	3,913,059
Letter winners and booster clubs	—	114,974	—	114,974
Sale of soft goods	613,530	—	—	613,530
Promotions income	722,712	—	—	722,712
Interest income and investment earnings	500,780	1,604,948	—	2,105,728
Unrealized losses on investments	—	(453,438)	(2,108,637)	(2,562,075)
Other	627,828	—	—	627,828
<b>Total Revenues, Support And Gains</b>	<b>70,156,005</b>	<b>13,112,934</b>	<b>(1,644,846)</b>	<b>81,624,093</b>
<b>Net Assets Released From</b>				
Restrictions (Note 11)	13,958,192	(13,958,192)	—	—
<b>Expenses And Losses</b>				
Sports activities	33,209,481	—	—	33,209,481
General and administrative	12,513,561	—	—	12,513,561
Loss on promise to give	—	3,157,000	—	3,157,000
Sports information office	911,168	—	—	911,168
Development	1,982,152	—	—	1,982,152
Training room	1,747,665	—	—	1,747,665
Student support services	1,590,643	—	—	1,590,643
Sale of soft goods	69,060	—	—	69,060
Marketing and promotion	1,440,568	—	—	1,440,568
Strength area	687,147	—	—	687,147
Spirit Squad	179,209	—	—	179,209
Facilities	2,758,858	—	—	2,758,858
Letter winners and booster clubs	63,270	—	—	63,270
Interest	1,040,679	—	—	1,040,679
<b>Total Expenses And Losses</b>	<b>58,193,461</b>	<b>3,157,000</b>	<b>—</b>	<b>61,350,461</b>
<b>Increase (Decrease) In Net Assets</b>				
Before Transfers To University	25,920,736	(4,002,258)	(1,644,846)	20,273,632
<b>Transfers Of Assets To University (Note 5)</b>	<b>(644,646)</b>	<b>—</b>	<b>—</b>	<b>(644,646)</b>
<b>Increase (Decrease) In Net Assets</b>	<b>25,276,090</b>	<b>(4,002,258)</b>	<b>(1,644,846)</b>	<b>19,628,986</b>
<b>Net Assets - Beginning Of Year</b>	<b>(15,710,755)</b>	<b>34,095,796</b>	<b>34,123,034</b>	<b>52,508,075</b>
<b>Net Assets - End Of Year</b>	<b>\$ 9,565,335</b>	<b>\$ 30,093,538</b>	<b>\$ 32,478,188</b>	<b>\$ 72,137,061</b>

See the accompanying notes to financial statements.

# KANSAS ATHLETICS, INCORPORATED

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Support And Gains</b>				
Sports activities income	\$ 16,511,690	\$ 1,204,665	\$ —	\$ 17,716,355
Conference and NCAA	8,421,154	—	—	8,421,154
Contributions and grants	10,254,144	7,993,838	837,143	19,085,125
Student activity fees	1,200,179	709,809	—	1,909,988
ESPN Regional Television	5,569,857	—	—	5,569,857
Trademark, licensing and apparel revenue	2,618,745	—	—	2,618,745
Letter winners and booster clubs	—	65,987	—	65,987
Sale of soft goods	497,559	—	—	497,559
Promotions income	266,779	—	—	266,779
Interest income and investment earnings	379,664	1,719,944	—	2,099,608
Unrealized gains on investments	—	354,453	3,932,303	4,286,756
In-kind donations	446,269	—	—	446,269
Other	1,142,472	—	—	1,142,472
<b>Total Revenues, Support And Gains</b>	<b>47,308,512</b>	<b>12,048,696</b>	<b>4,769,446</b>	<b>64,126,654</b>
<b>Net Assets Released From</b>				
Restrictions (Note 11)	5,229,175	(5,229,175)	—	—
<b>Expenses</b>				
Sports activities	27,858,617	—	—	27,858,617
General and administrative	11,692,570	—	—	11,692,570
Sports information office	821,594	—	—	821,594
Development	1,703,050	—	—	1,703,050
Training room	1,907,473	—	—	1,907,473
Student support services	1,564,409	—	—	1,564,409
Sale of soft goods	118,666	—	—	118,666
Marketing and promotion	882,850	—	—	882,850
Strength area	609,635	—	—	609,635
Spirit Squad	190,346	—	—	190,346
Facilities	1,982,330	—	—	1,982,330
Letter winners and booster clubs	96,726	—	—	96,726
Interest	1,016,794	—	—	1,016,794
<b>Total Expenses</b>	<b>50,445,060</b>	<b>—</b>	<b>—</b>	<b>50,445,060</b>
<b>Increase In Net Assets</b>				
Before Transfers And Contribution To University	2,092,627	6,819,521	4,769,446	13,681,594
Contribution To University (Note 7)	(6,528,781)	—	—	(6,528,781)
Transfers Of Assets To/From University (Note 5)	(11,893,848)	—	—	(11,893,848)
<b>Increase (Decrease) In Net Assets</b>	<b>(16,330,002)</b>	<b>6,819,521</b>	<b>4,769,446</b>	<b>(4,741,035)</b>
<b>Net Assets - Beginning Of Year</b>	<b>619,247</b>	<b>27,276,275</b>	<b>29,353,588</b>	<b>57,249,110</b>
<b>Net Assets - End Of Year</b>	<b>\$ (15,710,755)</b>	<b>\$ 34,095,796</b>	<b>\$ 34,123,034</b>	<b>\$ 52,508,075</b>

See the accompanying notes to financial statements.

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# KANSAS ATHLETICS, INCORPORATED

## STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2008	2007
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 19,628,986	\$ (4,741,035)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	947,486	921,628
Unrealized (gains) losses on investments	2,562,075	(4,286,756)
Transfers of fixed assets to University	644,646	11,893,848
Contributions restricted for long-term investment	(463,791)	(837,143)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	17,255	(755,086)
(Increase) decrease in accounts receivable	595,081	(1,894,059)
(Increase) decrease in prepaid expenses and other assets	527,559	(572,056)
Increase (decrease) in contributions payable	(451,000)	6,528,781
Increase in accounts payable	2,467,359	969,473
Increase in accrued expenses and other liabilities	1,243,447	1,262,535
Increase in advance ticket sales	1,907,285	2,388,110
<b>Net Cash Provided By Operating Activities</b>	<b>29,626,388</b>	<b>10,878,240</b>
<b>Cash Flows From Investing Activities</b>		
Withdrawals from (additions to) deposits with The Kansas University Endowment Association	(6,832,313)	310,579
Additions to debt service reserve	(12,699)	(15,900)
Purchases of property and equipment	(30,744,472)	(8,060,079)
<b>Net Cash Used In Investing Activities</b>	<b>(37,589,484)</b>	<b>(7,765,400)</b>
<b>Cash Flows From Financing Activities</b>		
Payments on athletic facilities revenue bonds	(725,000)	(700,000)
Payments on capital lease obligation	(480,887)	(454,106)
Proceeds from note payable	6,000,000	—
Proceeds from (repayments of) amounts due to The Kansas University Endowment Association	3,165,628	(692,188)
Proceeds from contributions restricted for long-term investment	463,791	837,143
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>8,423,532</b>	<b>(1,009,151)</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>460,436</b>	<b>2,103,689</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>7,784,323</b>	<b>5,680,634</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 8,244,759</b>	<b>\$ 7,784,323</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
Interest paid	\$ 1,011,888	\$ 943,888

# KANSAS ATHLETICS, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008 And 2007

### 1. Summary Of Significant Accounting Policies

#### Basis Of Accounting

The financial statements of Kansas Athletics, Incorporated (the Corporation) have been prepared on the accrual basis of accounting.

#### Basis Of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation's net assets include the following:

#### Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose.

#### Permanently Restricted Net Assets

Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

#### Estimates And Assumptions

The Corporation uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### Estimates Related To Legal Proceedings

In the ordinary course of business, there are legal proceedings pending against the Corporation. Management, after consultation with legal counsel, is of the opinion that the ultimate resolution of these proceedings will have no material adverse effect on the financial position of the Corporation.

**Cash And Cash Equivalents**

The Corporation considers all highly liquid demand deposit, money market and sweep accounts to be cash equivalents. At certain times, the Corporation maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. Management evaluates the financial stability of these financial institutions and considers the risk to the Corporation to be minimal.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding. Management provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing receivables.

**Promises To Give**

Unconditional promises to give are recognized as support in the period the promises are received and recorded at the present value of the estimated future cash flows. Promises to give are stated at the amount management expects to collect from balances outstanding at year end. The Corporation provides an allowance for uncollectible amounts equal to the estimated collection losses that will be incurred in collection of all promises to give based on a review of the current status of all promises to give.

**Deposits With The Kansas University Endowment Association**

The Corporation has made deposits with the Kansas University Endowment Association (the Association), which manages the invested funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with gains and losses included in the statement of activities. The fair value is determined by the investment custodian utilizing prices quoted by securities dealers or brokers, investment bankers, or statistical services on the valuation date.

# KANSAS ATHLETICS INCORPORATED

## Notes To Financial Statements (Continued)

The Association invests in limited partnerships and commingled vehicles, some of which employ traditional strategies in readily marketable securities and others of which employ less traditional strategies. The fair value of alternative investments is generally determined by an investment manager of the individual investment fund based on the fair value of the underlying investments. A portion of the underlying alternative investments is not readily marketable, its estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed.

### Investments Held Under Bond Indenture

Investments held under Bond Indenture are comprised of Treasury bills with an original maturity greater than three months. The Treasury bills are carried at cost, which approximates fair value.

### Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization, computed using the straight-line method over the following estimated useful lives:

Computer software	3 years
Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	10 years
Vehicles	5 years

### Bond Issuance Costs

Costs incurred in connection with the issuance of bonds are capitalized and amortized over the term of the bonds.

### Advance Ticket Sales

Advance ticket sales represent tickets sold for athletic events in the future. Revenue is recognized in the year the athletic event is held.



### Restricted And Unrestricted Support

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as an increase in unrestricted net assets.

### Donated Services And Materials

Various services and materials are donated to the Corporation by various individuals and organizations. Donated materials and those donated services that meet the criteria for recognition under SFAS No. 116, *Accounting For Contributions Received And Contributions Made*, are recorded at fair value at the date of donation.

### Income Taxes

The Corporation is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Corporation may be subject to the tax on unrelated business income. The Corporation is not subject to state income taxes.

### Reclassifications

Certain reclassifications were made to the 2007 financial statements, where appropriate, in order to conform to the presentation used in the 2008 financial statements. These reclassifications had no impact on net assets as previously reported.

## 2. Operations

The Corporation, a Kansas not-for-profit corporation, operates under the administrative jurisdiction of the University of Kansas (University) and is subject to all the regulations and administrative policies of the University. The Corporation operates the varsity intercollegiate athletic program at the University in facilities that are owned by the University of Kansas. The primary source of revenues and support for the program are athletic event ticket sales, conference revenue distributions and contributions.



**KANSAS ATHLETICS INCORPORATED**

Notes To Financial Statements (Continued)

**3. Promises To Give**

Promises to give consist of the following unconditional promises to give:

	2008	2007
Due in less than one year	\$ 13,100,071	\$ 9,953,370
Due in one to five years	9,951,900	10,044,861
Due in more than five years	225,000	—
	23,276,971	19,998,231
Less: Unamortized discount at 6%	1,016,102	877,107
Allowance for uncollectible amounts	4,025,000	868,000
	\$ 18,235,869	\$ 18,253,124

The promises to give are recorded on the accompanying statement of financial position as follows:

	2008	2007
Promises to give - current	\$ 11,075,071	\$ 9,147,747
Promises to give - noncurrent	7,160,798	9,105,377
	\$ 18,235,869	\$ 18,253,124

**4. Deposits And Transactions With The Kansas University Endowment Association**

The amount on deposit with the Association represents contributions from individuals to be used for future athletic scholarships, training table operating expenses or other sports activity expenses. These deposits are invested according to the Association policies and procedures, with the Corporation receiving the related investment income. Such deposits, including permanently restricted endowed funds of \$32,478,188 and \$34,123,034 at June 30, 2008 and 2007, respectively, are stated at fair value.

5. Property And Equipment

Property and equipment consist of:

	2008	2007
Computer software	\$ 237,322	\$ 371,553
Equipment	8,434,659	8,299,541
Furniture and fixtures	1,157,041	1,142,651
Leasehold improvements	250,000	250,000
Vehicles	184,136	184,136
Construction in progress	37,029,585	6,945,036
	<u>47,292,743</u>	<u>17,192,917</u>
Less: Accumulated depreciation and amortization	6,582,582	5,635,096
	<u>\$ 40,710,161</u>	<u>\$ 11,557,821</u>

The statement of financial position of the Corporation includes only those equipment and improvement purchases that remain the property of the Corporation. Accordingly, the historical cost of building assets is reflected within the University's financial statements.

For 2008 and 2007, construction in progress relates mainly to the Booth Hall of Athletics, baseball practice facilities, football practice and office facilities and Allen Fieldhouse renovations. Upon completion, these assets will be contributed to the University and treated as a transfer of long-lived assets.

During the years ended June 30, 2008 and 2007, transfers of long-lived assets to the University amounted to \$644,646 and \$11,893,848, respectively. Transfers consisted of the following:

	2008	2007
Memorial Stadium	\$ 74,517	\$ —
Booth Family Hall of Athletics	194,986	7,493,253
Administrative Facilities	25,802	—
Allen Fieldhouse renovations	52,542	6,927,096
Video Board	—	(3,682,846)
Other building improvements	296,799	1,156,345
	<u>\$ 644,646</u>	<u>\$ 11,893,848</u>

Depreciation and amortization expense amounted to \$947,486 and \$921,627 for the years ended June 30, 2008 and 2007, respectively.

**KANSAS ATHLETICS INCORPORATED**

Notes To Financial Statements (Continued)

**6. Note Payable**

During the year ended June 30, 2008, the Corporation received \$6,000,000 in cash in exchange for issuance of a note payable to a third party. The note payable, which does not bear interest and is unsecured, is due in one lump sum on or before January 2017.

**7. Contributions Payable**

In April 2007, the Corporation entered into an agreement with the University to fund certain obligations of the University in conjunction with renovations and additions to the student recreation center. As the Corporation has made an unconditional promise to make minimum payments to the University on an annual basis, the future contributions to the University have been recorded in the financial statements at June 30, 2008 and 2007 as liabilities in the amount of \$6,077,781 and \$6,528,781, respectively. Contributions payable beyond one year are reported at the present value of their estimated cash flows using a discount rate of 4.0%.

Contributions payable are expected to be paid in the following periods:

<u>Year</u>	<u>Amount</u>
2009	\$ 463,000
2010	464,200
2011	465,000
2012	460,400
2013	460,600
Thereafter	6,484,428
	8,797,628
Less: Discount to present value	2,719,847
	6,077,781
Less: Current portion	463,000
	\$ 5,614,781

## 8. Capital Lease Obligation

A certain lease in which the Corporation is the lessee is considered to be equivalent to an installment purchase for purposes of accounting presentation. Assets under a capital lease are generally capitalized using interest rates appropriate at the inception of the lease and amortized over the term of the lease (seven years). At June 30, 2008, the cost of assets recorded under the capital lease is \$3,682,846, and accumulated amortization is \$1,052,242.

Future minimum lease payments under capital leases as of June 30, 2008 are as follows:

Year	Amount
2009	\$ 678,296
2010	678,296
2011	678,296
2012	678,296
2013	678,296
Total minimum obligations	3,391,480
Less: Amounts representing interest	526,473
Present value of minimum lease payments	2,865,007
Less: Current portion	509,260
	\$ 2,355,747

## 9. Athletic Facilities Revenue Bonds

During the year ended June 30, 2005, the Corporation was authorized to issue Athletic Facilities Revenue Bonds, Series 2004K, by the Kansas Development Finance Authority in the amount of \$17,830,000. The principal amount outstanding at June 30, 2008 and 2007 amounted to \$15,065,000 and \$15,790,000, respectively. These tax-exempt bonds are due over the next 15 years and are secured by future revenues of the Corporation. Principal payments are due annually, ending in 2023. Interest is payable at various rates ranging from 3.25% to 4.5% per annum.

The Corporation is required to continually maintain at least \$1,419,475 in a debt service reserve account for the period of time for which principal and interest payments are required to be made on outstanding indebtedness. At June 30, 2008 and 2007, the Corporation has investments held by a trustee of \$1,455,585 and \$1,457,531, respectively, that are designated as the debt service reserve.

# KANSAS ATHLETICS INCORPORATED

## Notes To Financial Statements (Continued)

Total trade payables due to the University and related entities were \$979,153 and \$873,783 at June 30, 2008 and 2007, respectively. These amounts are included in accounts payable. Total trade receivables due from the University and related entities were \$574,912 and \$743,469 at June 30, 2008 and 2007, respectively. These amounts are included in accounts receivable.

At June 30, 2008 and 2007, amounts due to the Association totaled \$5,365,577 and \$2,199,949. These amounts consist of two outstanding notes related to renovations of certain facilities and are expected to be repaid with funds received from the collection of outstanding promises to give. One note bears interest at a rate of prime plus 1% and is due April 2009 at which time the principal balance and all accrued interest is due. The promises to give of a specified donor are held as collateral for this note. Interest expense related to this note was \$126,447 and \$238,528 for 2008 and 2007, respectively. An additional note bears an interest rate of 6% through April 2013 and increases to prime plus 1% thereafter through the maturity date of April 2018 at which time the principal balance and all accrued interest is due. Certain life insurance policies are held as collateral for the note. Interest expense related to this note was \$25,519 for 2008.

### 14. Retirement Plan

The Corporation has a mandatory contributory group annuity retirement plan covering substantially all eligible full-time employees with at least one year of service. The Corporation contributes 8.5%, and the employee contributes 5.5% of the employee's base salary. The Corporation's contributions to the plan amounted to \$1,049,813 in 2008 and \$963,371 in 2007.

### 15. Concentration Of Risk

Approximately 61%, or \$11,200,000, of promises to give are from five donors as of June 30, 2008. Of this amount, \$4,000,000 has been reserved for as uncollectible at June 30, 2008. Approximately 48% of promises to give are from two donors as of June 30, 2007.



**16. Supplemental Cash Flow Information**

During 2006, the Corporation recorded construction in progress and a related capital lease obligation of \$3,800,000. Upon completion of construction, the asset was transferred to a related party (Notes 5 and 8). During 2007, due to a change in the Agreement between the Corporation and the related party, this asset was transferred back to the Corporation.

**17. Operating Lease Agreement**

The Corporation also has an existing operating lease for a tennis facility with a third party. Future minimum lease payments as of June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 150,000
2010	150,000
2011	150,000
2012	165,000
2013	165,000
Thereafter	495,000
	<u>\$ 1,275,000</u>

Rent expense for this facility amounted to \$150,000 and \$145,000 for the years ended June 30, 2008 and 2007, respectively.

**18. Risks And Uncertainties**

The Association invests in various investment securities. 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 and that such changes could materially affect the amounts reported in the statement in financial position.

**19. Subsequent Event**

Subsequent to the Corporation's year end, it issued \$32,820,000 in revenue bonds, the proceeds from which will be used to make improvements to the University's athletic facilities and to the administrative offices of the Corporation. The revenue bonds were issued in denominations of \$5,000 or multiples thereof. They bear interest at varying rates between 3% and 5%, and mature on June 1 of various years between 2009 and 2030. The revenue bonds are secured by a pledge of all of the Corporation's revenues.

**Wichita State University Intercollegiate  
Athletic Association, Inc.**

**Schedule of Revenues and Expenses by Major Activity  
and Report of Independent Auditors on the  
Application of Agreed-Upon Procedures**

**June 30, 2008**



**Wichita State University Intercollegiate  
Athletic Association, Inc.**

**Schedule of Revenues and Expenses by Major Activity  
and Report of Independent Auditors on the  
Application of Agreed-Upon Procedures**

**June 30, 2008**



## Report of Independent Auditors on the Application of Agreed-Upon Procedures

Dr. Donald L. Beggs, President  
Wichita State University

We have performed the procedures enumerated in Attachment A, which were agreed to by the Treasurer of Wichita State University Intercollegiate Athletic Association, Inc., solely to assist you in evaluating whether the accompanying schedule of revenues and expenses by major activity of Wichita State University Intercollegiate Athletic Association, Inc. (the Athletic Association) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2008. The Athletic Association's management is responsible for the schedule of revenues and expenses by major activity (schedule) and the schedule's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures related to the schedule of revenues and expenses by major activity are enumerated in Attachment A. We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying schedule of revenues and expenses by major activity of the Athletic Association. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than those specified parties.

*Regier Carr & Monroe, L.L.P.*

September 26, 2008  
Wichita, Kansas



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Wichita State University Intercollegiate  
Athletic Association, Inc.

Schedule of Revenues and Expenses by Major Activity

For the year ended June 30, 2005

	Men's basketball	Baseball	Women's basketball	Other sports	Non- program specific	Special activities	Total from operations	Roundhouse Renaissance Project	Grand total
<b>Revenues</b>									
Ticket sales	\$ 2,042,511	\$ 674,989	\$ 58,653	\$ 111,890	\$ 67,740	\$ 429,578	\$ 3,385,361	\$ -	\$ 3,385,361
Student fees	-	-	-	-	2,178,419	-	2,178,419	579,831	3,758,250
SASO memberships	-	-	-	-	3,032,964	-	3,032,964	-	3,032,964
Contributions	566,349	488,122	19,385	131,965	304,735	-	1,510,556	85,928	1,596,484
Direct institutional support	-	-	-	-	1,891,948	-	1,891,948	-	1,891,948
Indirect facilities and administrative support	-	-	-	-	1,022,549	-	1,022,549	-	1,022,549
Royalties, licensing, advertisements and sponsorships	954,004	441,042	30,733	16,850	452,339	160,170	2,055,138	-	2,055,138
Program sales, concessions and novelties	145,792	102,501	17,729	29,240	5,400	307,082	607,744	-	607,744
NCAA and conference distributions	-	-	-	-	718,970	93,623	812,593	-	812,593
Television, radio and internet rights	318,943	-	-	-	101,000	-	419,943	-	419,943
Endowment and investment income	-	-	-	-	236,806	-	236,806	173,277	410,083
Guarantees	-	6,000	5,000	9,409	-	-	20,409	-	20,409
Other	-	-	-	-	213,602	490,019	703,621	-	703,621
<b>Total revenues</b>	<b>4,027,599</b>	<b>1,712,654</b>	<b>131,500</b>	<b>299,354</b>	<b>10,226,472</b>	<b>1,480,472</b>	<b>17,878,051</b>	<b>839,036</b>	<b>18,717,087</b>
<b>Expenses</b>									
Coaching salaries, benefits and bonuses	1,302,302	706,878	444,329	1,002,692	-	-	3,456,201	-	3,456,201
Administrative and support staff salaries and benefits	70,293	125,118	20,881	74,521	2,169,489	56,696	2,516,998	-	2,516,998
Severance payments	-	-	250,000	-	-	-	250,000	-	250,000
Athletic student aid	248,420	204,323	230,330	1,542,175	42,096	-	2,267,344	-	2,267,344
Fundraising, marketing and promotion	277,235	37,118	13,376	8,079	1,426,418	973,106	2,735,332	-	2,735,332
Team travel	431,544	148,740	291,608	773,566	-	-	1,645,458	-	1,645,458
Indirect facilities and administrative support	-	-	-	-	1,022,549	-	1,022,549	-	1,022,549
Direct facilities, maintenance and rental	9,598	100,984	7,189	128,937	399,082	27,874	673,664	-	673,664
Game expenses	160,995	111,388	64,503	54,395	-	-	391,283	-	391,283
Equipment, uniforms and supplies	22,118	15,905	40,631	154,860	35,968	-	269,482	-	269,482
Recruiting	172,936	23,524	56,183	93,322	-	-	345,965	-	345,965
Guarantees	260,469	57,004	71,137	6,700	-	-	395,310	-	395,310
Medical expenses and medical insurance	-	-	-	-	221,344	-	221,344	-	221,344
Memberships and dues	13,461	119	584	2,535	38,942	-	55,641	-	55,641
Interest	-	-	-	-	-	-	-	345,778	345,778
Other	138,824	88,064	101,594	177,784	989,922	-	1,496,188	50,874	1,547,062
<b>Total expenses</b>	<b>3,108,195</b>	<b>1,619,165</b>	<b>1,592,347</b>	<b>4,019,566</b>	<b>6,345,810</b>	<b>1,057,676</b>	<b>17,742,759</b>	<b>396,652</b>	<b>18,139,411</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ 919,404</b>	<b>\$ 93,489</b>	<b>\$ (1,460,847)</b>	<b>\$ (3,720,212)</b>	<b>\$ 3,880,662</b>	<b>\$ 422,796</b>	<b>\$ 135,292</b>	<b>\$ 442,384</b>	<b>\$ 577,676</b>

Wichita State University Intercollegiate Athletic Association, Inc.

Agreed-Upon Procedures Related to the  
Schedule of Revenues and Expenses by Major Activity

For the year ended June 30, 2008

**REVENUES**

Ensured that the amounts reported on the schedule of revenues and expenses agreed to the Wichita State University Intercollegiate Athletic Association, Inc.'s (the Athletic Association) general ledger. Performed the following three agreed-upon procedures for all revenue categories:

1. Compared and agreed each operating revenue category reported in the schedule during the year to supporting schedules provided by the Athletic Association.
2. Compared and agreed a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to supporting documentation.
3. Compared each major revenue account to prior year amounts and budget estimates. Obtained and documented an understanding of any variance of 25% or more where the dollar change is at least \$25,000 when compared to the prior year amount and current year budget estimates.

In addition to the above three agreed-upon procedures, the following additional procedures were performed by revenue category.

**Ticket sales**

1. Compared tickets sold during the year, complimentary tickets provided during the year and unsold tickets to the related revenue reported by the Athletic Association in the schedule and the related attendance figures.
2. Recalculated totals.

**Student fees**

1. Obtained and read documentation of the University's methodology for allocating student fees to the Athletic Association.
2. Recalculated totals.

### **Guarantees**

1. Selected two contractual agreements pertaining to revenues derived from guaranteed contests during year and compared and agreed to the Athletic Association's general ledger.
2. Recalculated totals.

### **Contributions**

1. Obtained and reviewed supporting documentation for any contribution of moneys, goods or services received directly by the Athletic Association from any affiliated or outside organization, agency or group of individuals (two or more) (e.g. contributions by corporate sponsors) that constituted 10 percent or more of all contributions received for intercollegiate athletics during the year.

**Compensation and Benefits Provided by a Third-Party** – not applicable to the Athletic Association

**Direct State or Other Government Support** – not applicable to the Athletic Association

### **Direct Institutional Support**

1. Compared the direct institutional support recorded by the Athletic Association during the year with state appropriations, institutional authorizations and/or other corroborative supporting documentation.
2. Recalculated totals.

### **Indirect Facilities and Administrative Support**

1. Compared the indirect institutional support recorded by the Athletic Association during the year with state appropriations, institutional authorizations and/or other corroborative supporting documentation.
2. Recalculated totals.

### **NCAA/Conference Distributions Including All Tournament Revenues**

1. Obtained and inspected two agreements related to the University's participation in revenues from tournaments during the year to gain an understanding of the relevant terms and conditions.
2. Compared and agreed the related revenues to the Athletic Association's general ledger.
3. Recalculated totals.

### **Broadcast, Television, Radio and Internet Rights**

1. Obtained and inspected two agreements related to the Athletic Association's participation in revenues from broadcast, television, radio and Internet rights to gain an understanding of the relevant terms and conditions.
2. Compared and agreed related revenues to the Athletic Association's general ledger.
3. Recalculated totals.

### **Program Sales, Concessions, Novelty Sales and Parking**

1. Recalculated totals.

### **Royalties, Advertisements and Sponsorships**

1. Obtained and inspected two agreements related to the Athletic Association's participation in revenues from royalties, advertisements and sponsorships during the year to gain an understanding of the relevant terms and conditions.
2. Compared and agreed related revenues to the Athletic Association's general ledger.
3. Recalculated totals.

### **Sports Camp Revenues – not applicable to the Athletic Association**

### **Endowment and Investment Income**

1. Obtained and inspected five endowment agreements to gain an understanding of the relevant terms and conditions.
2. Compared and agreed the classification and use of endowment and investment income reported in the schedule during the year to uses of income defined with the related endowment agreement.
3. Recalculated totals.

### **Other**

1. Recalculated totals.

### **Findings**

We found no exceptions as a result of the procedures applied to revenues.

## **EXPENSES**

Ensured that the amounts reported on the schedule of revenues and expenses agreed to the Athletic Association's general ledger for all expense categories. Performed the following three agreed-upon procedures for all expenses categories:

1. Compared and agreed each operating expense category reported in the schedule during the year to supporting schedules provided by the Athletic Association.
2. Compared and agreed a sample of operating expenses obtained from the above operating expense supporting schedule to adequate supporting documentation.
3. Compared and agreed each major expense account to prior period amounts and budget estimates. Obtained and documented an understanding of any variance of 25% or more where the dollar change is at least \$25,000 when compared to the prior year amount and current year budget estimates.

In addition to the above three agreed-upon procedures, the following additional procedures were performed by expense category.

### **Athletic Student Aid**

1. Selected a sample of 10 students from the listing of University student aid recipients during the year.
2. Obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account.
3. Recalculated totals.

### **Guarantees**

1. Obtained and inspected five contractual agreements pertaining to expenses reported by the Athletic Association from guaranteed contests during the year.
2. Compared and agreed related amounts expensed by the Athletic Association during the year to the general ledger.
3. Recalculated totals.

### **Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities**

1. Obtained and inspected a listing of coaches employed by the University and the Athletic Association during the year.
2. Selected three coaches' contracts that included men's and women's basketball from the above listing.
3. Compared and agreed the financial terms and conditions of each selection to the related coaching salaries and bonuses paid by the University and Athletic Association.
4. Recalculated totals.

**Coaching Other Compensation and Benefits Paid by a Third-Party** – not applicable to the Athletic Association

**Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities**

1. Selected three athletic support staff/administrative personnel employed by the University and related entities during the year.
2. Compared and agreed the financial terms and conditions of each selection to the related support staff/administrative salaries and bonuses paid by the University and Athletic Association and recorded by the Athletic Association in the schedule during the year.
3. Recalculated totals.

**Support Staff/Administrative Salaries, Benefits and Bonuses Paid by a Third-Party** not applicable to the Athletic Association

**Severance Payments (if any)** – not applicable to the Athletic Association

**Recruiting**

1. Obtained and read documentation of the University's recruiting expense policies.
2. Obtained and read comparison to existing University and NCAA-related policies.

**Team Travel**

1. Obtained and read documentation of the University's team travel policies.
2. Obtained and read comparison to existing University and NCAA-related policies.

**Equipment, Uniforms and Supplies**

1. Recalculated totals

**Game Expenses**

1. Recalculated totals

**Fund Raising, Marketing and Promotions**

1. Recalculated totals

**Sports Camp Expenses** – not applicable to the Athletic Association

**Direct Facilities, Maintenance and Rental**

1. Recalculated totals



**Spirit Groups** – not applicable to the Athletic Association

**Indirect Facilities and Administrative Support**

1. Obtained and read documentation of the University's methodology for allocating indirect facilities support.
2. Summed the indirect facilities-support and indirect University-support totals reported by the Athletic Association in the schedule.
3. Compared and agreed Indirect Facilities and Administrative Support reported by the Athletic Association in the schedule to the corresponding revenue category reported by the Athletic Association in the schedule.
4. Recalculated totals.

**Medical Expenses and Medical Insurance**

1. Recalculated totals

**Memberships and Dues**

1. Recalculated totals

**Other Operating Expenses**

1. Recalculated totals

**Findings**

We found no exceptions as a result of the procedures applied to expenses.

**KANSAS BOARD OF REGENTS**  
**FY 2010 HIGHER EDUCATION UNIFIED OPERATING BUDGET REQUEST - STATE FUNDS**  
**FY 2009 APPROVED APPROPRIATIONS COMPARED WITH GOVERNOR'S FY 2009 and FY 2010 BUDGET RECOMMENDATIONS AND SENATE FY 2009 ADJUSTMENTS**  
 Board of Regents Approved September 17, 2008; Governor's Recommendation January 13, 2009, Senate Committee of the Whole January 28, 2009

	FY 2009 Combined Approved Appropriations	FY 2010 KBOR Budget Request Increase	% Increase	FY 2009 Governor's Budget Recommendations	% Change	FY 2009 Senate Comm. of the Whole SB 23 (1.28.09)	% Change	FY 2010 Governor's Budget Recommendations	% Change
<b>Postsecondary Educational Institutions</b>									
Combined Operating Grants Total	\$806,825,359			(\$24,298,814)		(\$36,363,218)		(\$56,277,226)	-7.0%
State University GHI, Death & Disability Moratorium (neutral impact)								(\$15,946,775)	-2.0%
Unified Block Grant Requested Increase									
"Keeping Up" - Inflation, 4% HEPI Increase		\$32,273,014							
"Catching Up" - Salaries -- 1%		did not request							
"Stepping Up" - State Priorities		did not request							
<b>Total Postsecondary Educational Institutions</b>	<b>\$806,825,359</b>	<b>\$32,273,014</b>	<b>4.0%</b>	<b>(\$24,298,814)</b>	<b>-3.0%</b>	<b>(\$36,363,218)</b>	<b>-4.5%</b>	<b>(\$72,224,001)</b>	<b>-9.0%</b>
<b>Kansas Board of Regents Office Operations</b>									
<b>Student Financial Assistance Programs</b>	\$6,304,616					(\$395,473)		\$100,000	
KSU - Veterinary Medicine Scholarship (4th year)	\$300,000	\$100,000							
Requested 4% HEPI Increase on the Following Programs:									
Comprehensive Grant Program	\$15,689,878	\$627,595							
Teacher's Scholarship Program	\$1,962,859	\$78,514							
National Guard Educational Assistance	\$925,838	\$37,034							
Optometry Education Program	\$113,850	\$4,554							
<b>Subtotal - Student Financial Assistance</b>	<b>\$25,297,041</b>	<b>\$847,697</b>	<b>3.4%</b>	<b>\$0</b>	<b>0.0%</b>	<b>(\$395,473)</b>	<b>-1.6%</b>	<b>\$100,000</b>	<b>0.4%</b>
<b>Board Office Administration</b>	\$6,159,306			(\$127,881)		(\$194,270)		(\$8,261)	
GHI, Death & Disability Moratorium (neutral impact)								(\$83,528)	
Kan-ed Funding Shift to Kansas Universal Service Fund (KUSF)				(\$60,138)		(\$90,207)		(\$2,004,609)	
<b>Subtotal - Board Office Administration</b>	<b>\$6,159,306</b>	<b>\$0</b>	<b>0.0%</b>	<b>(\$188,019)</b>	<b>-3.1%</b>	<b>(\$284,477)</b>	<b>-4.6%</b>	<b>(\$2,096,398)</b>	<b>-34.0%</b>
<b>Other Postsecondary Education Programs</b>	\$3,737,498					(\$56,181)			
MHEC Dues Increase	\$90,000	\$5,000				(\$1,350)		(\$90,000)	
Access Us	\$200,000					(\$14,530)		(\$200,000)	
Kansas Academy for Math & Science	\$295,000			(\$295,000)		(\$4,425)		(\$713,000)	
<b>Subtotal - Other Postsecondary Education Programs</b>	<b>\$4,322,498</b>	<b>\$5,000</b>	<b>0.1%</b>	<b>(\$295,000)</b>	<b>-6.8%</b>	<b>(\$76,486)</b>	<b>-1.8%</b>	<b>(\$1,003,000)</b>	<b>-23.2%</b>
<b>Total - Kansas Board of Regents Office Operations</b>	<b>\$35,778,845</b>	<b>\$852,697</b>	<b>2.4%</b>	<b>(\$483,019)</b>	<b>-1.4%</b>	<b>(\$756,436)</b>	<b>-2.1%</b>	<b>(\$2,999,398)</b>	<b>-8.4%</b>
<b>Debt Service and Other Direct Appropriations</b>									
KBOR & University Debt Service Payments Adjustments	\$4,811,122			\$1,755				\$4,811,122	
Debt Restructuring - Bond Refinancing				(\$160,000)		(\$160,000)		(\$3,631,841)	
KU School of Pharmacy Expansion Planning	\$1,000,000					(\$45,000)			
KUMC Wichita Center for Graduate Medical Education	\$2,500,000					(\$112,500)		(\$2,500,000)	
WSU Aviation Infrastructure	\$5,000,000					(\$275,000)		(\$2,500,000)	
All Other	\$7,326,004					(\$330,759)			
<b>Total - Debt Service and Other Direct Appropriations</b>	<b>\$20,637,126</b>	<b>\$0</b>		<b>(\$158,245)</b>		<b>(\$923,259)</b>		<b>(\$3,820,719)</b>	
<b>TOTAL OPERATING</b>	<b>\$863,241,330</b>	<b>\$33,125,711</b>	<b>3.8%</b>	<b>(\$24,940,078)</b>	<b>-2.9%</b>	<b>(\$38,042,913)</b>	<b>-4.4%</b>	<b>(\$79,044,118)</b>	<b>-9.2%</b>
<b>Capital Projects</b>									
KU Pharmacy Expansion (ELARF), Replaced with Bond Authority	\$15,000,000							(\$15,000,000)	
Univ. Deferred Maintenance (Infrastructure Maintenance Fund)	\$15,000,000							(\$15,000,000)	
Univ. Deferred Maintenance (EBF Balance)	\$0							\$13,700,000	
<b>Total -- Capital Projects</b>	<b>\$30,000,000</b>	<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>(\$16,300,000)</b>	
<b>Grand Total</b>	<b>\$893,241,330</b>	<b>\$33,125,711</b>	<b>3.7%</b>	<b>(\$24,940,078)</b>	<b>-2.8%</b>	<b>(\$38,042,913)</b>	<b>-4.3%</b>	<b>(\$95,344,118)</b>	<b>-10.7%</b>

HEPI is the Higher Education Price Index.

The table reflects appropriations from the State General Fund (SGF), Economic Development Initiatives Fund (EDIF), Educational Building Fund (EBF), Expanded Lottery Act Revenue Fund (ELARF) and State Water Plan Fund (SWPF).

FY 2009 Anticipated Actions to Reduce State Budget -- Governor's Budget Recommendations

<i>Planning Target = 3%</i>	Emporia State University	Fort Hays State University	Kansas State University	Pittsburg State University	University of Kansas	Wichita State University	State University Total	Washburn University	Community Colleges	Technical Colleges	Board Office	Higher Education System Total
Personnel Expenditure Reductions	\$356,000	\$0	\$4,017,062	\$658,000	\$5,554,869	\$0	\$10,585,931	\$335,616	\$656,628	\$75,000	\$39,500	\$11,692,675
Equipment/Supplies/Operating Expense Expenditure Reductions	\$712,000	\$1,126,624	\$1,521,167	\$500,000	\$2,740,194	\$2,229,692	\$8,829,677	\$120,384	\$2,644,435	\$159,000	\$148,750	\$11,902,246
Other Budget Actions	\$0	\$0	\$0	\$0	\$75,000	\$75,000	\$150,000	\$0	\$324,000	\$406,500	\$0	\$880,500
<b>Totals</b>	<b>\$1,068,000</b>	<b>\$1,126,624</b>	<b>\$5,538,229</b>	<b>\$1,158,000</b>	<b>\$8,370,063</b>	<b>\$2,304,692</b>	<b>\$19,565,608</b>	<b>\$456,000</b>	<b>\$3,625,063</b>	<b>\$640,500</b>	<b>\$188,250</b>	<b>\$24,475,421</b>

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Kansas Board of Regents

FY 2009

FY 2009 Anticipated Actions to Reduce State Budget -- Governor's Budget Recommendations

Governor's Recommendation = 3% expenditure reductions

	Emporia State University	Fort Hays State University	Kansas State University	Pittsburg State University	University of Kansas	Wichita State University	State University Total	Washburn University	Community Colleges	Technical Colleges	Board Office	Higher Education System Total
<b>Personnel Expenditure Reductions</b>												
Reduction in faculty, staff & student positions; Hiring Freeze on vacant position; Reclassification Suspension of classified positions	\$356,000		\$4,017,062	\$658,000	\$5,554,869		\$10,585,931	\$335,616	\$656,628	\$75,000	\$39,500	\$11,653,175
<b>Equipment/Supplies/Operating Expense Expenditure Reductions</b>												
Defer major capital equipment purchases and other OOE	\$712,000	\$1,126,624	\$1,521,167	\$500,000	\$2,710,194	\$1,229,692	\$7,799,677	\$120,384		\$92,000	\$148,750	\$8,012,061
Reduce OOE expenditures from one-time appropriation for the Pharmacy Program					\$30,000		\$30,000					\$30,000
Reduce travel, operating budgets, equipment, software & vehicle purchases and other OOE							\$0		\$2,592,435	\$15,000		\$2,607,435
Reduce/Delay educational program development/implementation						\$1,000,000	\$1,000,000		\$52,000	\$52,000		\$1,104,000
Unspecified reduction in OOE							\$0					\$0
<b>Other Budget Actions</b>												
Graduate Medical Education Reduction (WCGME)					\$75,000		\$75,000					\$75,000
Suspend new manufacturing engineering programs for National Center for Aviation Training						\$75,000	\$75,000			\$132,000		\$207,000
Reduce travel; Postpone maintenance projects and vehicle replacement; Reduce custodial staff							\$0			\$56,000		\$56,000
Decrease campus maintenance & care funds; Reduce 50% preparation spending for HLC Accreditation visit							\$0			\$78,000		\$78,000
Other, Unspecified Reduction							\$0		\$324,000	\$140,500		\$464,500
<b>Totals</b>	<b>\$1,068,000</b>	<b>\$1,126,624</b>	<b>\$5,538,229</b>	<b>\$1,158,000</b>	<b>\$8,370,063</b>	<b>\$2,304,692</b>	<b>\$19,565,608</b>	<b>\$456,000</b>	<b>\$3,625,063</b>	<b>\$640,500</b>	<b>\$188,250</b>	<b>\$24,475,421</b>

Notes:

1. Washburn University's figures reflect state share of total reductions of \$2.8 million.

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Kansas Board of Regents

FY 2010

FY 2010 Anticipated Actions to Reduce State Budget -- Governor's Budget Recommendations

Gov.Rec. = additional 4% for a total base reduction of 7%

	Emporia State University	Fort Hays State University	Kansas State University	Pittsburg State University	University of Kansas	Wichita State University	State University Total	Washburn University	Community Colleges	Technical Colleges	Board Office	Higher Education System Total
Personnel Expenditure Reductions	\$1,191,488	\$2,000,000	\$10,445,713	\$2,200,000	\$14,080,701	\$3,655,952	\$33,573,854	\$0	\$2,536,769	\$450,000	\$122,000	\$36,682,623
Equipment/Supplies/Operating Expense Expenditure Reductions	\$1,300,000	\$628,795	\$2,476,821	\$501,000	\$5,204,445	\$1,546,658	\$11,657,719	\$0	\$1,868,978	\$289,000	\$329,250	\$14,144,947
Other Budget Actions	\$0	\$0	\$0	\$0	\$2,500,000	\$175,000	\$2,675,000	\$1,064,000	\$4,083,253	\$755,000	\$0	\$8,577,253
<b>Totals</b>	<b>\$2,491,488</b>	<b>\$2,628,795</b>	<b>\$12,922,534</b>	<b>\$2,701,000</b>	<b>\$21,785,146</b>	<b>\$5,377,610</b>	<b>\$47,906,573</b>	<b>\$1,064,000</b>	<b>\$8,489,000</b>	<b>\$1,494,000</b>	<b>\$451,250</b>	<b>\$59,404,823</b>

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Kansas Board of Regents  
**FY 2010 Anticipated Actions to Reduce State Budget -- Governor's Budget Recommendations**

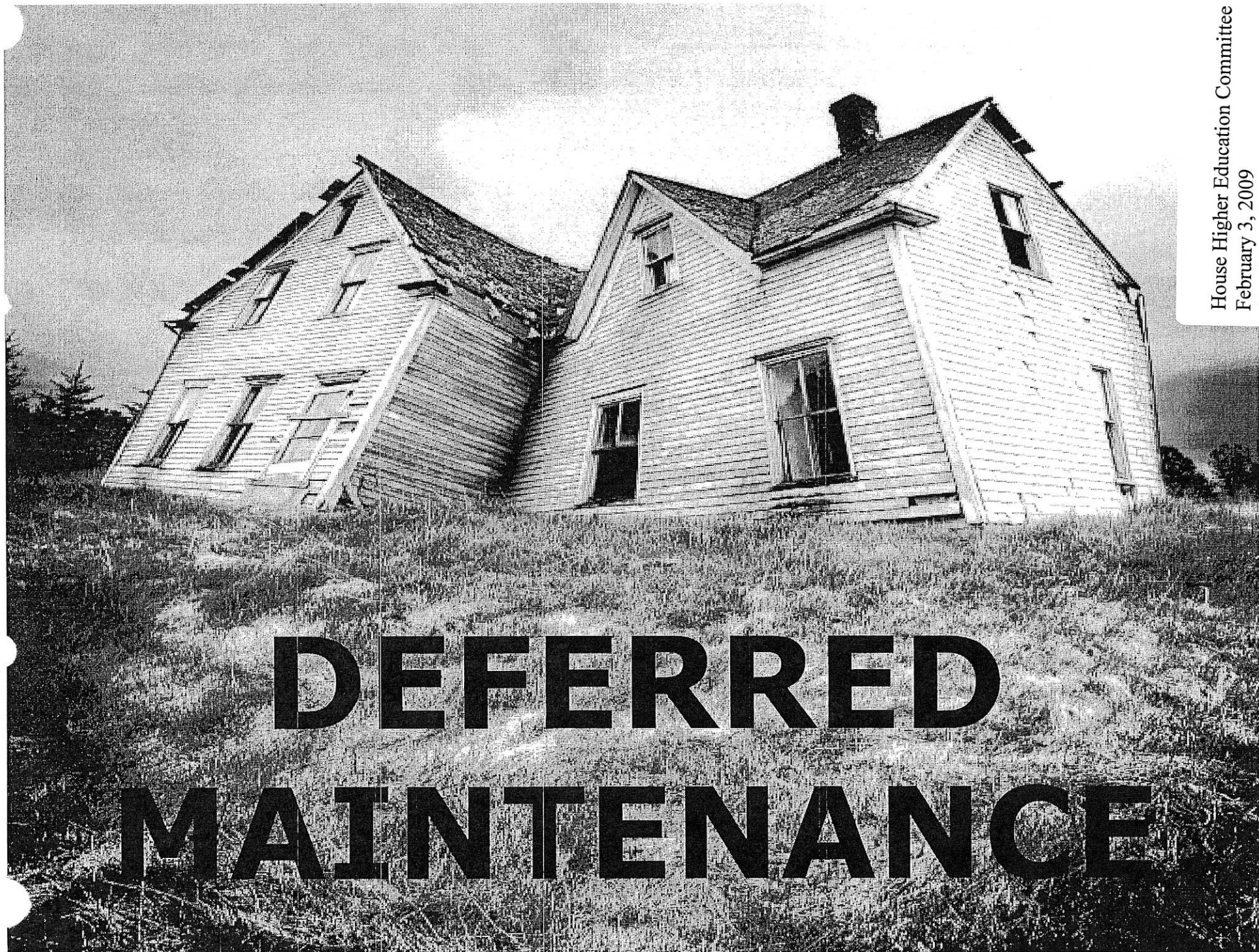
FY 2010

Gov.Rec. = additional 4% for a total base reduction of 7%

	Emporia State University	Fort Hays State University	Kansas State University	Pittsburg State University	University of Kansas	Wichita State University	State University Total	Washburn University	Community Colleges	Technical Colleges	Board Office	Higher Education System Total
<b>Personnel Expenditure Reductions</b>												
Reduction in faculty, staff & student positions; Hiring Freeze on vacant position; Reclassification Suspension of classified positions	\$1,191,488	\$2,000,000	\$10,445,713	\$2,200,000	\$14,080,701	\$3,655,952	\$33,573,854		\$2,536,769	\$450,000	\$122,000	\$36,682,623
<b>Equipment/Supplies/Operating Expense Expenditure Reductions</b>												
Defer major capital equipment purchases; Reduce departmental operating budgets	\$1,300,000		\$2,476,821		\$5,204,445	\$1,521,658	\$10,502,924			\$289,000	\$329,250	\$11,121,174
Reduce OOE expenditures from one-time appropriation for the Pharmacy Program							\$0					\$0
Reduce travel, operating budgets, equipment, software & vehicle purchases							\$0		\$1,425,000			\$1,425,000
Reduce/Delay educational program development/implementation						\$25,000	\$25,000		\$443,978			\$468,978
Unspecified reduction in OOE		\$628,795		\$501,000			\$1,129,795					\$1,129,795
<b>Other Budget Actions</b>												
Graduate Medical Education Reduction (WCGME)					\$2,500,000		\$2,500,000					\$2,500,000
Suspend new manufacturing engineering programs for National Center for Aviation Training						\$175,000	\$175,000			\$162,000		\$337,000
Reduce travel; Postpone maintenance projects and vehicle replacement; Reduce custodial staff							\$0			\$56,000		\$56,000
Decrease campus maintenance & care funds; Reduce 50% preparation spending for HLC Accreditation visit							\$0			\$78,000		\$78,000
Unspecified Reductions -- To Be Determined							\$0	\$1,064,000	\$4,083,253	\$459,000	\$0	\$5,606,253
<b>Totals</b>	<b>\$2,491,488</b>	<b>\$2,628,795</b>	<b>\$12,922,534</b>	<b>\$2,701,000</b>	<b>\$21,785,146</b>	<b>\$5,377,610</b>	<b>\$47,906,573</b>	<b>\$1,064,000</b>	<b>\$8,489,000</b>	<b>\$1,494,000</b>	<b>\$451,250</b>	<b>\$59,404,823</b>

7.5





# DEFERRED MAINTENANCE

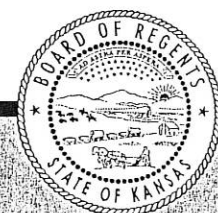
## **Continued Deferred Maintenance Progress:**

- In 2006, the state universities faced a daunting and increasingly dangerous maintenance backlog of \$663 million. At the same time, the state's community colleges, technical colleges, and Washburn were facing a maintenance backlog of \$172 million.
- The 2007 Legislature approved a 5-year funding plan which will provide: \$90 million in state funds and \$44 million in interest earnings to the state universities; tax credits that could generate up to \$158 million in private contributions to the 32 public higher education institutions; and \$100 million in interest-free bonding authority for the community colleges, technical colleges, and Washburn.
- In the Fall of 2008, an updated facilities audit indicated that the state universities now face a maintenance backlog of \$825 million, a 24% increase since the 2006 study.





- The increase can be attributed to a significant increase in construction inflation, the increased age of the campus buildings, and the continued and chronic under-funding of annual maintenance needs.
- Since the passage of the 5-year plan, the Joint Committee on State Building Construction has approved 91 state university maintenance projects. To date, 37 projects have been initiated, of which 10 have been completed, while 27 are currently underway. If deferred maintenance funding is not cut for Fiscal Year 2010 (the third year of the 5-year plan), 8 additional projects are scheduled to be completed and 10 additional projects are scheduled to begin.
- For the state universities, the 5-year plan, if fully-funded, will address approximately 31% of the \$825 million maintenance backlog that exists among the 442 state-owned “mission critical” academic buildings.



**Backlog:**

Kansas State University	\$290.6 million
The University of Kansas	\$226 million
The University of Kansas Medical Center	\$90.5 million
Pittsburg State University	\$67 million
Fort Hays State University	\$51 million
Emporia State University	\$50.6 million
Wichita State University	\$49.3 million

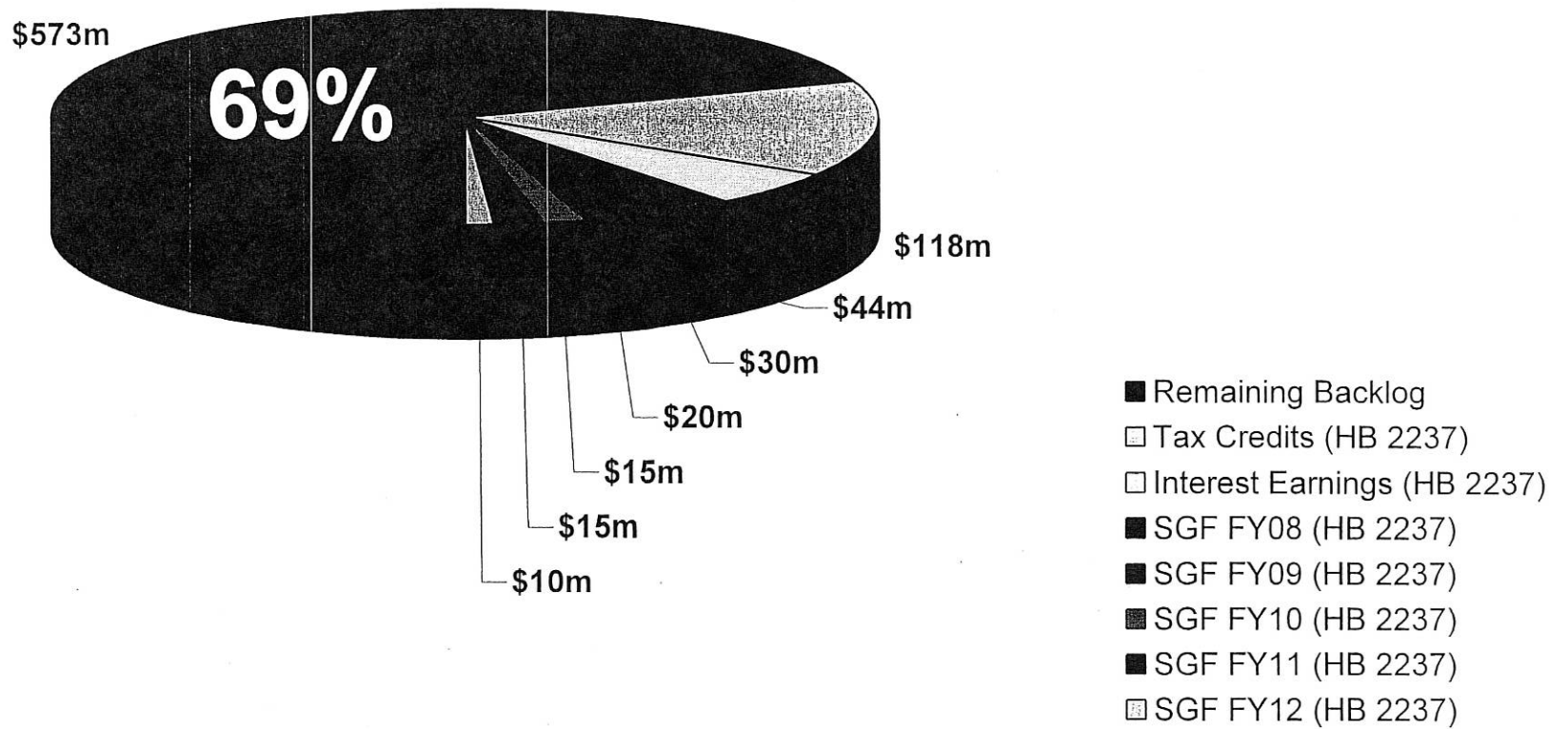
**TOTAL: \$825 million**



# Deferred Maintenance Progress

## State Universities

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Total Backlog = \$825 million