
**KANSAS ATHLETICS,
INCORPORATED**
FINANCIAL STATEMENTS
JUNE 30, 2007



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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, 2007 and 2006, 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, 2007 and 2006, 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
October 19, 2007

KANSAS ATHLETICS, INCORPORATED

STATEMENT OF FINANCIAL POSITION

	Assets	
	June 30,	
	2007	2006
Current Assets		
Cash and cash equivalents	\$ 7,784,323	\$ 5,680,634
Accounts receivable (Note 11)	5,335,614	3,441,555
Promises to give (Note 3)	9,147,747	8,041,572
Deposits with The Kansas University Endowment Association (Note 4)	21,112,306	21,905,575
Prepays and other assets	1,106,132	534,076
Total Current Assets	44,486,122	39,603,412
Promises To Give (Note 3)	9,105,377	9,456,466
Investments Held Under Bond Indenture/Fund Held By Trustee (Note 8)	1,457,531	1,456,925
Other Assets, Including Bond Issuance Costs	168,783	187,668
Property And Equipment (Note 5)	11,557,821	16,313,218
Deposits With The Kansas University Endowment Association (Note 4)	34,123,034	29,353,588
Total Assets	\$ 100,898,668	\$ 96,371,277
	Liabilities And Net Assets	
Current Liabilities		
Current portion of athletic facilities revenue bonds (Note 8)	\$ 725,000	\$ 700,000
Current portion of capital lease obligation (Note 7)	480,887	460,422
Current portion of contributions payable (Note 6)	451,000	—
Due to Kansas University Endowment Association (Note 11)	2,199,949	2,892,137
Accounts payable (Note 11)	4,347,508	3,378,035
Accrued interest payable	255,082	214,774
Accrued expenses and other liabilities	4,729,363	3,507,136
Advance ticket sales	10,886,197	8,498,087
Total Current Liabilities	24,074,986	19,650,591
Athletic Facilities Revenue Bonds, Less Current Portion (Note 8)	15,065,000	15,790,000
Capital Lease Obligation (Note 7)	2,865,007	3,339,578
Contributions Payable (Note 6)	6,077,781	—
Bond Issuance Premium	307,819	341,998
Total Liabilities	48,390,593	39,122,167
Net Assets		
Unrestricted	(15,710,755)	619,247
Temporarily restricted (Note 9)	34,095,796	27,276,275
Permanently restricted (Note 9)	34,123,034	29,353,588
Total Net Assets	52,508,075	57,249,110
Total Liabilities And Net Assets	\$ 100,898,668	\$ 96,371,277

KANSAS ATHLETICS, INCORPORATED

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Support And Gains				
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
Total Revenues, Support And Gains	47,308,512	12,048,696	4,769,446	64,126,654
Net Assets Released From Restrictions (Note 10)	5,229,175	(5,229,175)	—	—
Expenses				
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
Total Expenses	50,445,060	—	—	50,445,060
Increase In Net Assets Before Transfers And Contribution To University	2,092,627	6,819,521	4,769,446	13,681,594
Contribution To University (Note 6)	(6,528,781)	—	—	(6,528,781)
Transfers Of Assets To/From University (Note 5)	(11,893,848)	—	—	(11,893,848)
Increase (Decrease) In Net Assets	(16,330,002)	6,819,521	4,769,446	(4,741,035)
Net Assets - Beginning Of Year	619,247	27,276,275	29,353,588	57,249,110
Net Assets - End Of Year	\$ (15,710,755)	\$ 34,095,796	\$ 34,123,034	\$ 52,508,075

KANSAS ATHLETICS, INCORPORATED

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Support And Gains				
Sports activities income	\$ 15,325,995	\$ 1,268,458	\$ —	\$ 16,594,453
Conference and NCAA	7,120,240	—	—	7,120,240
Contributions and grants	17,341,632	13,779,400	778,341	31,899,373
Student activity fees	969,108	—	—	969,108
ESPN Regional Television	5,038,995	—	—	5,038,995
Trademark, licensing and apparel revenue	2,729,053	—	—	2,729,053
Letter winners and booster clubs	—	70,475	—	70,475
Sale of soft goods	787,945	—	—	787,945
Promotions income	288,401	—	—	288,401
Interest income and investment earnings	237,389	1,383,603	8,742	1,629,734
Unrealized gains (losses) on investments	—	(228,387)	1,978,401	1,750,014
In-kind donations	503,268	—	—	503,268
Other	339,579	—	—	339,579
Total Revenues, Support And Gains	50,681,605	16,273,549	2,765,484	69,720,638
Net Assets Released From Restrictions (Note 10)				
	8,791,306	(8,791,306)	—	—
Expenses				
Sports activities	24,827,361	—	—	24,827,361
General and administrative	11,318,222	—	—	11,318,222
Sports information office	708,332	—	—	708,332
Development	1,477,527	—	—	1,477,527
Training room	1,814,614	—	—	1,814,614
Student support services	1,451,159	—	—	1,451,159
Sale of soft goods	557,502	—	—	557,502
Marketing and promotion	1,094,955	—	—	1,094,955
Strength area	549,931	—	—	549,931
Spirit Squad	154,446	—	—	154,446
Facilities	2,257,806	—	—	2,257,806
Letter winners and booster clubs	77,063	—	—	77,063
Interest	850,746	—	—	850,746
Total Expenses	47,139,664	—	—	47,139,664
Increase In Net Assets Before Transfers				
	12,333,247	7,482,243	2,765,484	22,580,974
Transfers Of Assets To University (Note 5)				
	(5,788,594)	—	—	(5,788,594)
Increase In Net Assets				
	6,544,653	7,482,243	2,765,484	16,792,380
Net Assets - Beginning Of Year				
	(5,925,406)	19,794,032	26,588,104	40,456,730
Net Assets - End Of Year				
	\$ 619,247	\$ 27,276,275	\$ 29,353,588	\$ 57,249,110

KANSAS ATHLETICS, INCORPORATED

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2007	2006
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (4,741,035)	\$ 16,792,380
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	921,628	413,321
Unrealized gains on investments	(4,286,756)	(1,750,014)
Transfers of fixed assets to University	11,893,848	5,788,594
Donated assets	—	(34,444)
Contributions restricted for long-term investment	(837,143)	(778,341)
Change in assets and liabilities:		
Increase in promises to give, net	(755,086)	(6,734,687)
Increase in accounts receivable	(1,894,059)	(958,139)
(Increase) decrease in prepaid expenses and other assets	(572,056)	226,109
Decrease in due to KUEA	(692,188)	—
Increase in contributions payable	6,528,781	—
Increase in accounts payable	969,473	847,069
Increase in accrued expenses and other liabilities	1,262,535	10,087
Increase in advance ticket sales	2,388,110	2,304,849
Net Cash Provided By Operating Activities	10,186,052	16,126,784
Cash Flows From Investing Activities		
Increase in deposits with The Kansas University Endowment Association	310,579	(3,986,627)
Withdrawals from (additions to) debt service reserve	(15,900)	7,097
Purchases of property and equipment	(8,060,079)	(10,660,695)
Net Cash Used In Investing Activities	(7,765,400)	(14,640,225)
Cash Flows From Financing Activities		
Payments on athletic facilities revenue bonds	(700,000)	(680,000)
Payments on capital lease obligation	(454,106)	—
Proceeds from contributions restricted for long-term investment	837,143	778,341
Net Cash Provided By (Used In) Financing Activities	(316,963)	98,341
Net Increase In Cash And Cash Equivalents	2,103,689	1,584,900
Cash And Cash Equivalents - Beginning Of Year	5,680,634	4,095,734
Cash And Cash Equivalents - End Of Year	\$ 7,784,323	\$ 5,680,634
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 943,888	\$ 862,606
Noncash investing and financing activities (Note 14)		

KANSAS ATHLETICS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 And 2006

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.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements (*Continued*)

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. There is no allowance for doubtful accounts reflected in the statement of financial position. Management is of the opinion that no allowance is necessary.

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 estimate future cash flows. Promises to give as 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.

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

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements (*Continued*)

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.

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:

	<u>2007</u>	<u>2006</u>
Due in less than one year	\$ 9,953,370	\$ 8,409,800
Due in one to five years	10,044,861	11,003,045
	<u>19,998,231</u>	<u>19,412,845</u>
Less: Unamortized discount	877,107	1,064,807
Allowance for uncollectible amounts	<u>868,000</u>	<u>850,000</u>
	<u>\$ 18,253,124</u>	<u>\$ 17,498,038</u>

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

	<u>2007</u>	<u>2006</u>
Promises to give - current	\$ 9,147,747	\$ 8,041,572
Promises to give - noncurrent	<u>9,105,377</u>	<u>9,456,466</u>
	<u>\$ 18,253,124</u>	<u>\$ 17,498,038</u>

4. Deposits And Transactions With The Kansas University Endowment Association

The amount on deposit with The Kansas University Endowment Association (KUEA) represents contributions from individuals to be used for future athletic scholarships, training table operating expenses or other sports activity expenses. These deposits (primarily equity and fixed income securities and money market funds) are invested according to KUEA policies and procedures, with the Corporation receiving the related investment income. Such deposits, including permanently restricted endowed funds of \$34,123,034 and \$29,353,588 at June 30, 2007 and 2006, respectively, are stated at fair value.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements (*Continued*)

5. Property And Equipment

Property and equipment consist of:

	<u>2007</u>	<u>2006</u>
Computer software	\$ 371,553	\$ 454,085
Equipment	8,299,541	5,577,421
Furniture and fixtures	1,142,651	1,416,806
Leasehold improvements	250,000	—
Vehicles	184,136	242,764
Construction in progress	6,945,036	14,826,411
	<u>17,192,917</u>	<u>22,517,487</u>
Less: Accumulated depreciation and amortization	<u>5,635,096</u>	<u>6,204,269</u>
	<u>\$ 11,557,821</u>	<u>\$ 16,313,218</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 2007 and 2006, construction in progress relates mainly to the Booth Hall of Athletics, football practice facilities, baseball practice facilities and Allen Fieldhouse renovations. Upon completion, these assets were or will be contributed to the University and treated as a transfer of long-lived assets.

During the years ended June 30, 2007 and 2006, transfers of long-lived assets to/ (from) the University amounted to \$11,893,848 and \$5,788,594, respectively, and consisted of the following:

	<u>2007</u>	<u>2006</u>
Memorial Stadium	\$ —	\$ 502,708
Booth Family Hall of Athletics	7,493,253	—
Administrative Facilities	—	390,960
Allen Fieldhouse renovations	6,927,096	209,068
Video Board	(3,682,846)	3,682,846
Alvamar Golf Training Center	—	146,968
Other building improvements	1,156,345	856,044
	<u>\$ 11,893,848</u>	<u>\$ 5,788,594</u>

Depreciation and amortization expense amounted to \$921,628 and \$429,247 for the years ended June 30, 2007 and 2006, respectively.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements *(Continued)*

6. 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, 2007 as liabilities and expenses in the amount of \$6,528,781. 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:

Year	Amount
2008	\$ 451,000
2009	463,000
2010	464,200
2011	465,000
2012	460,400
Thereafter	6,945,028
	<hr/> 9,248,628
Less: Discount to present value	2,719,847
Less: Current portion	451,000
	<hr/> <hr/> \$ 6,077,781

7. 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). Assets recorded under a capital lease at June 30, 2007 are valued at \$3,682,846, less accumulated amortization of \$526,191.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements (*Continued*)

Future minimum lease payments under capital leases as of June 30, 2007 are as follows:

Year	Amount
2008	\$ 678,296
2009	678,296
2010	678,296
2011	678,296
2012	678,296
Thereafter	678,296
Total Minimum Obligations	4,069,776
Less: Amounts representing interest	723,882
Present value of minimum lease payments	3,345,894
Less: Current Portion	480,887
	<u>\$ 2,865,007</u>

8. 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, 2007 and 2006 amounted to \$15,790,000 and \$16,490,000, respectively. These tax-exempt bonds are due over the next 16 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 5.0% per annum.

The Corporation is required to maintain at least \$1,419,475 continually 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, 2007 and 2006, the Corporation has investments held by a trustee of \$1,457,531 and \$1,456,925, respectively, that are designated as the debt service reserve.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements *(Continued)*

Scheduled maturities of these bonds at June 30, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 725,000
2009	750,000
2010	775,000
2011	800,000
2012	825,000
Thereafter	11,915,000
	<u>\$ 15,790,000</u>

These bonds were issued in connection with a bond refinancing at which time Athletic Facilities Revenue Bonds, Series 1998A, issued by the Kansas Development Finance Authority in 1998 were legally deferred.

9. Temporarily And Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Booth Hall of Athletics Addition	\$ 1,000,000	\$ —
Baseball practice facility	657,388	117,772
Baseball clubhouse	801,416	—
Boathouse additions	571,711	—
Booth Hall of Athletics	80,163	183,456
Endowment fund earnings - restricted for other purposes	491,381	478,694
Football practice facility	5,335,288	3,595,703
Harry and Clara Nielsen Scholarships	2,032,719	1,785,124
Lydia McBurney Athletic Scholarship	352,588	309,642
Margin of Excellence	1,774,759	1,952,218
Mary Virginia McWilliams Memorial Scholarships	235,926	207,187
Promises to give for capital improvements	17,386,579	15,798,234
Winey-Williams Memorial	175,568	160,146
Other	3,200,310	2,688,099
	<u>\$ 34,095,796</u>	<u>\$ 27,276,275</u>

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements *(Continued)*

Permanently restricted net assets are to be held in perpetuity and restricted as follows:

	<u>2007</u>	<u>2006</u>
James Davis, Jr. Scholarship Fund	\$ 21,502,384	\$ 18,879,454
Louis L. Ward Family Scholarship for Men's Basketball Fund	1,173,628	1,166,064
Jayhawk Track and Field Endowment	738,200	738,150
Dr. Earl and Kathleen Merkel Athletic Scholarship Fund	715,173	538,211
Bowers Family Men's Basketball Scholarship Fund	519,812	458,191
Wilt Chamberlain Men's Basketball Scholarship Fund	488,938	429,867
Richard C. King Athletic Scholarship Fund	403,571	336,294
Williams, Dick, Skipper & Odd Scholarship Fund	381,950	335,823
Darby Family Scholarship Fund	355,459	312,531
Gladys and Dale Gordon Scholarship Fund	301,442	264,518
Palmer Family Scholarship Fund	285,307	250,851
Mike and Mary Nell Beatty Athletic Scholarship Fund	274,726	205,446
Dane and Polly Bales Athletic Scholarship Fund	229,738	201,993
Howard Family Athletic Scholarship Fund	226,876	199,481
Kenneth and Ruth Hamilton Athletic Scholarship	226,135	—
Wilt Chamberlain Basketball Clinic Special Olympics	223,778	197,804
James and Virginia Knorr Scholarship Fund	214,235	188,360
Dick and Betty Rossman Football Scholarship Fund	200,958	176,689
Stauffer Family Athletic Scholarship Fund	204,518	174,860
Marion E. Richey Athletic Scholarship Fund	187,567	164,915
Ed Hall Memorial Scholarship Fund	181,788	159,768
Gene Vignatelli Football Scholarship Fund	180,189	157,152
Wilt Chamberlain Women's Basketball & Volleyball Scholarship Fund	146,114	128,468
Ed and Helen Healy Athletics Opportunity Fund	150,480	132,488
Other	4,610,068	3,556,210
	<u>\$ 34,123,034</u>	<u>\$ 29,353,588</u>

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements *(Continued)*

10. Temporarily Restricted Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Amounts released are as follows:

	<u>2007</u>	<u>2006</u>
Scholarship/training table expenses	\$ 2,096,565	\$ 2,052,005
Margin of Excellence disbursements	126,782	124,280
Improvements and equipment from Margin of Excellence	1,269,083	739,421
K, Quarterback and Roundball Clubs	—	73,063
Allen Fieldhouse renovations	1,000,000	2,867,777
Baseball Construction Fund	82,990	117,772
Boathouse additions	138,098	—
Booth Hall of Athletics construction	515,657	2,816,988
	<u>\$ 5,229,175</u>	<u>\$ 8,791,306</u>

11. Related Parties

The Corporation conducts a significant portion of its business with the University and entities under the administrative jurisdiction of the University.

The University has reported certain salaries, fringe benefits and other expenses paid for the benefit of the athletic program. The following represents such amounts paid by the University:

	<u>2007</u>	<u>2006</u>
Intercollegiate athletics	\$ 1,470,195	\$ 1,428,228
Utilities	707,254	580,752
Administrative salaries	8,920	76,919
	<u>\$ 2,186,369</u>	<u>\$ 2,085,899</u>

The above amounts have not been included in the accompanying statements of activities. While inclusion would affect revenues and expenses, it would not affect the change in net assets.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements (*Continued*)

Total trade payables due to the University and related entities were \$873,783 and \$796,115 at June 30, 2007 and 2006, respectively. These amounts are included in accounts payable. Total trade receivables due from the University and related entities were \$743,469 and \$354,787 at June 30, 2007 and 2006, respectively. These amounts are included in accounts receivable.

At June 30, 2007 and 2006, outstanding advances of \$2,199,949 and \$2,892,137, respectively, were due to Kansas University Endowment Association. The advances made during 2007 and 2006 covered construction costs incurred with the renovation of certain facilities and are expected to be repaid in the near future with funds received from the collection of outstanding promises to give.

12. 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 \$963,371 in 2007 and \$835,732 in 2006.

13. Concentration Of Risk

Approximately 48% and 62% of promises to give are from two donors as of June 30, 2007 and 2006, respectively. Additionally, contributions from those donors amounted to approximately 24% and 36% of contributions and grants for 2007 and 2006, respectively.

14. 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 in 2006 the asset was transferred to a related party (Notes 5 and 7). During 2007, due to a change in the Agreement between the Corporation and the related party, this asset was transferred back to the Corporation.

KANSAS ATHLETICS, INCORPORATED

Notes To Financial Statements *(Continued)*

15. Operating Lease Agreement

In July 2006, the Corporation entered into a new operating lease for a tennis facility with a third party. Future minimum lease payments as of June 30, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 150,000
2009	150,000
2010	150,000
2011	150,000
2012	165,000
<u>Thereafter</u>	<u>660,000</u>
	<u>\$ 1,425,000</u>

Rent expense for this facility amounted to \$145,000 for the year ended June 30, 2007.