

**Western Washington University  
Board of Trustees  
Agenda  
December 10, 2010**

**FRIDAY, DECEMBER 10, 2010**

**Location: Old Main 340  
Time: 8:00 a.m.**

**1. CALL TO ORDER, APPROVAL OF MINUTES**

8:00 – 8:05

- Board of Trustees Meeting, October 7, 8, 2010

**2. RECOGNITIONS AND INTRODUCTIONS**

8:05 – 8:20

- Academic Instructional Center – Ed+C Excellence in Design Awards
  - Rick Benner, Executive Director, Capital Planning and University Architect
  - Ed Simpson, Assistant Director, Facilities Management
  - Gil Aiken, Project Manager, Facilities Management
- George Kriz, Chemistry – American Chemical Society Award
- David Meyer, Music – 19th Annual Van Lawrence Fellowship Award
- Sherry Mallory, Associate Dean of Students -- Fred Turner Award for Outstanding Service
- Jim Schuster, Director of Viking Union Facilities – ACUI Vern Solbach Award

**EXECUTIVE COMMENTS**

**3. BOARD CHAIR REPORT**

8:20 – 8:30

**4. UNIVERSITY PRESIDENT**

8:30 – 8:45

- Resolution No. 2010-11 Recognizing the Service of Stephanie Salzman
- Program Highlights from Woodring College of Education  
Presentation: Catherine Riordan, Provost and Vice President for Academic Affairs  
Michael Henniger, Associate Dean, Woodring College of Education

**5. ASSOCIATED STUDENTS**

8:45 – 8:55

**6. FACULTY SENATE**

8:55 – 9:05

## ACTION ITEMS

### 7. CONSENT ITEMS

9:05 – 9:10

- Approval of Fall Quarter Degrees
- Approval of 2011 Summer Session Fees
- Periodic Report on Employment for Cyndie Shepard

### 8. UNIVERSITY MISSION, VISION AND STRATEGIC GOALS

9:10 – 9:20 Presentation: Bruce Shepard, President

Jeff Newcomer, Chair, University Planning and Resources Council

9:20 – 9:25 Discussion

### 9. RESOLUTION NO. 2010-12 AUTHORIZING INVESTMENT OF WESTERN WASHINGTON UNIVERSITY MONIES IN THE LOCAL GOVERNMENT INVESTMENT POOL

9:25 – 9:30 Presentation: Rich Van Den Hul, Vice President for Business and Financial Affairs

9:30 – 9:35 Discussion

## DISCUSSION ITEMS

### 10. UPDATE ON FOCUSED INTERIM ACCREDITATION EVALUATION

9:35 – 9:40 Presentation: Catherine Riordan, Provost and Vice President for Academic Affairs

9:40 – 9:45 Discussion

## BREAK 9:45 – 10:00

### 11. BRANDING AND MARKETING UPDATE

10:00 – 10:10 Presentation: Steve Swan, Vice President for University Relations

10:10 – 10:20 Discussion

### 12. CAMPAIGN PRIORITIES

10:20 – 10:30 Presentation: Stephanie Bowers, Vice President for University Advancement

10:30 – 10:35 Discussion

### 13. COMPASS 2 CAMPUS

10:35 – 10:50 Presentation: Cyndie Shepard, University Associate;  
Shar Sarte Prince, Program Manager; WWU Students

Guest: Tim Yoemans, Superintendent, Meridian School District

10:50 – 11:00 Discussion

### 14. SPACE AND UNIVERSITY FACILITIES

11:00 – 11:15 Presentation: Catherine Riordan, Provost and Vice President for Academic Affairs

Francis Halle, Director, Space Administration

Chris Cox, Dean, University Libraries

11:15 – 11:25 Discussion

### 15. OLYMPIA UPDATE

11:25 – 11:30 Presentation: Steve Swan, Vice President for University Relations

Sherry Burkey, Associate Vice President for University Relations

11:30 – 11:35 Discussion

## REPORTS

16. **AUDIT COMMITTEE REPORT**  
11:35 – 11:45 Presentation: Phil Sharpe, Trustee, Audit Committee  
11:45 – 11:50 Discussion
  
17. **INFORMATION ITEMS**  
11:50 – Noon
  - Alumni Relations Report
  - Auxiliary Capital Plan Update For University Residences
  - Capital Program Report
  - Development Report
  - Enrollment and Admissions Summary
  - Quarterly Academic Report
  - Student Right to Know/Clery Act
  - University Relations Report
  - Veterans' Activities
  - 2009-2010 University Financial Report
  - 2009-2010 University Auxiliaries Financial Reports
  
18. **DATE FOR NEXT REGULAR MEETING: February 10, 11, 2011**
  
19. **ADJOURNMENT 12 p.m.**
  
20. **LUNCHEON GUESTS: NEWLY TENURED AND PROMOTED FACULTY**

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard  
**DATE:** December 10, 2010  
**SUBJECT:** **Approval of the Minutes**  
**PURPOSE:** Action Items

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**Purpose of Submittal:**

Approval of the Board of Trustees Meeting Minutes.

Note that the minutes from the September 28, 29, 2010 Board Retreat will be presented at the February 11, 2011 Board meeting.

**Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following minutes:

- Approval of the Minutes of the Board of Trustees Meeting, October 7 and 8, 2010

**Supporting Information:**

Minutes of the October 7, 2010 Board of Trustees Meeting

Minutes of October 8, 2010 Board of Trustees Meeting

**WESTERN WASHINGTON UNIVERSITY  
BOARD OF TRUSTEES  
MINUTES  
October 7, 2010**

**1. CALL TO ORDER**

Chair Dennis Madsen called the regular meeting of the Board of Trustees of Western Washington University to order at 3 p.m., October 7, 2010, in Old Main 340, Bellingham, Washington.

**A Moment of Silence**

Chair Madsen asked for a moment of silence to remember Western student Dwight Clark.

Madsen said he was touched by the way the campus community handled this difficult situation and came together to express care and concern for Dwight, his family, and friends.

**Board of Trustees**

Ramiro Espinoza  
Betti Fujikado, Secretary  
Dennis Madsen, Chair  
Ralph Munro, Vice Chair  
Phil Sharpe  
Peggy Zoro

**Western Washington University**

Bruce Shepard, President  
Suzanne Baker, Interim Secretary to the Board of Trustees  
Wendy Bohlke, Assistant Attorney General  
Stephanie Bowers, Vice President for University Advancement  
Sherry Burkey, Associate Vice President for University Relations  
Paul Cocke, Director, University Communications  
Eileen Coughlin, Vice President for Student Affairs and Academic Support Services  
Paul Dunn, Senior Executive Assistant to the President  
Paula Gilman, Executive Director for University Planning and Budgeting  
Scott Pearce, President, Faculty Senate  
Catherine Riordan, Provost and Vice President for Academic Affairs  
Barbara Stoneberg, Assistant to the President  
Steve Swan, Vice President for University Relations  
Richard Van Den Hul, Vice President for Business and Financial Affairs  
Colin Watrin, President, Associated Students

**Guests**

University Planning and Resources Council  
Legislative Panel:  
Rep. Reuven Carlyle  
Rep. Doug Ericksen  
Rep. Kelli Linville  
Rep. Mike Sells

## 2. SPECIAL REPORTS

### a) Updating Western's Strategic Plan

Chair Madsen welcomed the University Planning and Resources Council (UPRC) and said that the Board was pleased to participate in a strategic discussion about the university.

President Shepard said that the Board has been clear the strategic focus must be owned by the university and it cannot be top-down. He said the plan is to have a strategic focus drafted for the December Board meeting for final review. In preparation for that meeting, this preliminary discussion with the Board and UPRC was planned. The President referred the Board to UPRC's draft Mission, Vision, and Strategic Goals handed out at the meeting. He asked UPRC Chair Jeff Newcomer to make comments and open up the discussion to the group.

Newcomer thanked the President for coordinating the discussion and thanked the Board for their time. He noted that the new draft plan is considerably shorter than the older plan. He said it is a strategic plan that stops at the level of strategy and doesn't go further, allowing the university units to develop as appropriate for their areas. Newcomer stressed that the plan has changed from looking inward to looking outward and how we can better help communities around the state and beyond. Newcomer credited the UPRC subcommittee, a committee of seven, for their work on the initial draft.

Trustee Zoro asked how the group determined the four strategic goals. Newcomer said that President Shepard's convocation speech noted four strategies and the subcommittee began their work with those four strategies.

UPRC member Brad Johnson, Chair of Physics and Astronomy Department, said the group took the ideas they heard repeatedly on the brevity of a mission, vision, and a strategic goal statement and included items heard at various forums. The group also looked at strategic goals, vision, and mission statements at other universities.

Trustee Fujikado said she was impressed when comparing the old plan to the new one and commended the group for making it shorter and more condensed. She asked for further discussion of the first goal, *Build upon Western's strengths in areas of critical need to the State of Washington*. She asked for background and what tactics are associated with it.

Newcomer said that the first goal refers to expanding baccalaureate opportunities, building on Western's strength as a strong liberal arts university, and preparing graduates for future opportunities. The goal also acknowledges the state's desire to increase capacity.

Hart Hodges, Economics, said that Western provides much in the way of economic development for the state, not only the educational piece but also for outreach.

Trustee Zoro emphasized the importance of the university to factor in education as a component of economic development to better compete globally. She said that education often is the driver of an economic recovery by developing innovation and highly skilled workers. Zoro asked if that could be built upon in the first strategic goal.

Trustee Munro agreed with Trustee Zoro's comments. The group further discussed incorporating a global component to the mission, vision, and strategic goals. President Shepard suggested adding "global destination" to the vision statement.

Trustee Zoro asked how the education a student receives at Western competes with other educational systems globally and how do we evaluate the education students get here. Associated Student President Watrin said that time and time again Western is recognized for its graduate programs and providing a great liberal arts education.

Faculty Senate President Pearce asked the Board how they see the evolution of the institution from a regional university to where it will be in the next ten or 20 years.

Trustee Fujikado said that the draft strategic plan gets to the heart of what it means to be a publicly purposed university. She said she thinks of the phrase: *Think global, act local*. She said because Western excels in liberal arts education, it knows how to bring community together and reach out expansively. She thinks it is a good thing to say that Western will build a stronger Washington by being a global destination of learning expertise and societal problem solving.

Chair Madsen agreed saying he supports an overarching vision that stretches an organization outside of its comfort zone. He said he likes the idea of going global with Western's message.

Barbara Mathers-Schmidt, Communication Sciences Disorders, said that the new guidelines provide creativity, reaches outward to the world, and provides for growth and involvement within the units.

Keith Hyatt, Special Education, said that he didn't find the last strategic plan useful. He discussed how the new plan can be used in his area. Trustee Munro commented that Western has been a leader in special education and in producing excellent teachers. He said that being global can benefit the State of Washington.

Trustee Sharpe said the draft plan provides three things: it serves, it brings together, it develops. He said there are advantages of having a succinct strategic plan and he likes the direction of the plan, but questioned the content.

Trustee Espinoza noted that the word "student" is not included in the document. Faculty Senate President Pearce said that the word "learner" was used in place of student. President Shepard said that he preferred learners since the university is not a teaching institution but a learning institution, which is a fundamental change from before.

President Shepard said that the proposed document allows flexibility. He explained that the difficulty in listing activities is that you lose the ability to engage creatively and, also, when the environment changes, the new ideas might not fit with the strategic plan. This document allows the ability to adapt to a constantly shifting and changing environment.

Madsen reflected on the global concept and asked for clarification. Is our intention to have a global impact and will we claim the global territory? President Shepard noted the distinction in the wording. He said there are universities who establish global impact as a goal up front, which leads to a very different kind of university with a particular set of programs. He said that Western's proposed plan creates a global dimension as a means to the end, which is different from having the goal up front. Shepard said that he and Trustee Munro are in agreement, seeing a global dimension as building a stronger Washington.

Susan Banton, Classified Staff Representative, said that rather than a shift to an international focus on students and studies, she sees Western individuals themselves having the impact globally in their learning.

Provost Riordan said what she likes about this plan is that even as succinct as it is, it gives a suggestion of the kinds of things the university will not do. She liked building on existing strengths, which successful organizations do. She said the new strategic focus builds on Western's environment and coastal resources. She said the message is that Western continues to be a stellar example of undergraduate education, where students can obtain access to the best programs and graduate in a fiscally responsible way.

Trustee Munro asked about the border and the university's proximity to the Canadian border. The Provost said that might be a subject that could be discussed in more detail when talking about the Border Policy Research Institute or the Canadian Studies Program.

Regarding the first strategic goal of Western's strengths, Madsen asked if the strategic plan could include strengths and opportunities or if you think it doesn't belong here? He suggested the possibility of a set of goals that includes numbers. President Shepard said that type of information is available in many places, and that he thinks including that information would place constraints on the strategic focus.

Trustee Zoro clarified that each unit would use their own creativity in how they interpret the plan. President Shepard confirmed and called it a radical step for the university. Zoro said it was outstanding work. She said she could envision each unit developing and creating from the base plan and that it is not limiting.

Chair Madsen lauded the university for developing a succinct and easy to comprehend strategic plan.

Trustee Munro asked what the next steps are. Newcomer said that the Colleges would work on their own strategic plans and the departments would develop operational plans and tactics to fit with the college plans. Newcomer said by keeping a university plan with a simple model, it moves people away from notion that the only way something gets valued is if its listed feeling they have to list everything. He said credit goes to the sub-committee that pared the proposed plan into a set of concise statements. The proposed plan frees the units to do the same and frees them to say the things are they want to do.

Newcomer said that UPRC would debrief at their meeting next week, then release a draft to the campus community for comment. They will bring it back to committee and intend to release one more draft in early November. UPRC plans on finishing the document before Thanksgiving, so it can go to the Faculty Senate and President's Cabinet before it comes back to the Board in December.

Chair Madsen thanked UPRC for its good work and looks forward to seeing the next version.

At 3:55 p.m. Madsen announced a five minute break. Meeting reconvened at 4:05 p.m.



## **b) Higher Education in Washington State**

Chair Madsen welcomed the legislative panel. President Shepard thanked the legislators for their work on behalf of Washington citizens. He said the meeting session is an annual opportunity to debrief with legislators to discuss what worked and what didn't in Olympia.

Board members and staff introduced themselves to the legislative panel.

Representative Linville, 42nd District, introduced herself. Linville, a Western graduate, commended the university's work on a strategic plan.

Representative Carlyle, 36th legislative district Seattle, serves on the Higher Education Committee and on the Education Appropriations Committee and Technology. He grew up in Bellingham and participated in Summer Stock as a child. He talked about seizing the opportunity of the economic crisis and developing a conversation driven by outcomes and results as opposed to measuring inputs.

Representative Ericksen, 42nd legislative district, also grew up in Bellingham. He provided his thoughts on likely outcomes of the November 2, 2010 election. He said that there would not be significant tax increases, and because of that the affects to higher education would likely require a raise in tuition costs.

Representative Sells, 38th legislative district, Snohomish County. He said the issues for next session will include tuition and tuition-setting authority. He discussed restructuring governance at the state level and the relationship between the Higher Education Coordinating Board and the university system.

Trustee Munro asked if there are things going on in the caucus that we should be recognizant of as it relates to higher education. Ericksen responded that it is crucial to downsize other parts of state government to be able to refocus on higher education.

President Shepard said that Western's bottom-line cut is \$17.2 million dollars. He commented that one of the inefficiencies he sees is the time spent on accountability reports. He asked if it would be helpful for Western, working with other higher education constituents or craft our own legislation. Linville said that would be a good idea.

Trustee Sharpe spoke about the increase in risks that the university assumes with the budget cuts and threatening quality.

Shepard said that the university must be held accountable for results, but suggested that legislators communicate to the university how to deliver on those results. Linville said that it would be helpful for the institution to create a list of what types of processes can be eliminated.

Carlyle encouraged the university to list types of regulatory relief and communicate them to the legislators. He said the idea that the two- and four-year higher education systems are at odds is counterproductive. He emphasized there must be a common agenda and a sense of how higher education is viewed, and to provide the legislature with troubleshooting and solutions.

Carlyle said that there is a public responsibility to educate people. He said that there is an attack on the core civic engagement of democracy if dismantling higher education is

allowed. It's not just a budget issue but a structural systemic issue. He gave examples of student retention difficulties that all higher education institutions face and faculty issues as examples of systemic issues. He hopes that by embracing structural changes and embracing the opportunities of the budget crisis that Western partners with legislators to put the real issues that you are struggling with on the table.

Sharpe asked for suggestions on working with government officials to explain that the state does an excellent job at producing workers, but we are lacking and fall behind in our ability to produce innovators, managers, and executives. He said this is the deficiency in the state's education system.

Burkey said it is a systemic decision by the legislature to fund two-year schools with the highest funding of community colleges in the country in Washington State, in terms of number of students served and the lowest percentage of our residents with access to baccalaureate degrees in the country. Yet, she said, it seems that this issue is off- the-table in terms of conversation, and it seems the decision of the state to not fund opportunities for baccalaureate degrees.

Bill Lyne, Faculty Associate to the President and Provost, said that Washington State is one of the highest importers of baccalaureate degrees in the country. He said that the Governor's Task Force expressed little concern of this problem. The people who are being excluded from the best job opportunities in the state, are people who are middleclass and below who happen to have the misfortune to being born here. He said that this is another conversation never gets on the table.

Linville said that Washington's educational system should be driven by what we need. If we need more baccalaureate students because we need to fill those niches of employment that we are importing, then that should be part of what is in the outcome base of how we fund higher education. The legislators need you to talk about what we're trying to achieve—like a better balance in the kinds of degrees that will make people of our state more qualified for all the jobs in Washington State.

Madsen said that the economic problems are severe and the university has had to either suspend or eliminate quality programs. He said that Western wants to work with legislators to create messages that will resonate with the state, so we can reverse this trend. If it continues on the path we are on, it will impact the quality of this institution over the next four- to six-year period.

The meeting adjourned at 5:10 p.m.

WESTERN WASHINGTON UNIVERSITY  
BOARD OF TRUSTEES  
MINUTES  
October 8, 2010

1. CALL TO ORDER – APPROVAL OF MINUTES

Chair Dennis Madsen called the regular meeting of the Board of Trustees of Western Washington University to order at 8:03 a.m., October 8, 2010, in Old Main 340, Bellingham, Washington.

**Board of Trustees**

Ramiro Espinoza  
Betti Fujikado, Secretary  
Dennis Madsen, Chair  
Ralph Munro, Vice Chair  
Phil Sharpe  
Peggy Zoro

**Western Washington University**

Bruce Shepard, President  
Suzanne Baker, Interim Secretary to the Board of Trustees  
Wendy Bohlke, Assistant Attorney General  
Stephanie Bowers, Vice President for University Advancement  
Sherry Burkey, Associate Vice President for University Relations  
Paul Cocks, Director, University Communications  
Eileen Coughlin, Vice President for Student Affairs and Academic Support Services  
Paul Dunn, Senior Executive Assistant to the President  
Scott Pearce, President, Faculty Senate  
Catherine Riordan, Provost and Vice President for Academic Affairs  
Barbara Stoneberg, Assistant to the President  
Steve Swan, Vice President for University Relations  
Richard Van Den Hul, Vice President for Business and Financial Affairs  
Colin Watrin, President, Associated Students

Chair Madsen moved to amend the proposed minutes of the April 19, 2010 Board meeting by correcting the spelling of Jerry Thon's name.

MOTION 10-1-2010      Ralph Munro moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following consent item:

- Approve the minutes of the August 19, 2010 Board of Trustees meeting **as amended**. Approve the August 20, 2010 Board of Trustees meeting as presented.

The motion passed unanimously.

## **2. RECOGNITIONS AND INTRODUCTIONS**

President Shepard asked the vice presidents to present the recognitions and introductions.

### **Faculty Award Recipients**

Catherine Riordan, Provost and Vice President for Academic Affairs, introduced the 2009-2010 Faculty Award Recipients:

- Excellence in Teaching Award – Rich Brown, Assistant Professor, Theatre Arts
- Outstanding Faculty Leadership Award – Daniel Lerner, Professor, Fairhaven College
- Diversity Achievement Award – Kathleen Kitto, Professor, Sciences and Technology

### **Outstanding Classified Staff Award Recipient**

Rich Van Den Hul, Vice President for Business and Financial Affairs, introduced the first-ever Outstanding Classified Staff Award Recipient and the Professional Staff Award for Excellence.

- Heidi Zeretzke, Grounds and Nursery Specialist, Facilities Management

### **Professional Staff Award for Excellence**

- Bill Managan, Assistant Director of Operations, Facilities Management

### **Team Recognition Award**

Provost Riordan introduced the Team Recognition Award recipients, the Advanced Materials Science and Engineering Center (AMSEC). AMSEC has 22 faculty members, representing five academic departments, two staff, and more than 30 undergraduates enrolled in its minor degree program. She said this group of faculty and staff exemplify cooperation, collaboration, and open communication.

- Advanced Materials Science and Engineering Center: Kathleen Kitto; Bernie Housen; Brad Johnson; Janelle Leger; Stephen McDowall; Polly Berseth

### **Associated Students Board of Directors**

Eileen Coughlin, Vice President for Student Affairs, said that Colin Watrin's Student Body President Address was the best she has ever heard at a Convocation. She stated her appreciation for the leadership provided by the AS Board of Directors under difficult circumstances the last couple of weeks.

Coughlin asked Ted Pratt, Dean of Students and advisor to the Associated Students Board of Directors, to introduce the AS Board.

Pratt noted that Bernard Ikegwuona, AS Vice President for Diversity, had a class and was unable to attend the meeting. Pratt asked that each of the vice presidents introduce themselves. Each vice president stated where they are from and their areas of concentration for the academic year.

Colin Watrin, President  
Byron Starkey, Vice President for Governmental Affairs  
Jamin Agosti, Vice President for Student Life  
Benjamin Brockman, Vice President for Business and Operations  
Alisha Beck, Vice President for Activities  
Ramon Rinonos-Diaz, Vice President for Academic Affairs  
Bernard Ikegwuona, Vice President for Diversity (absent)

Chair Madsen said it is possible to miss someone equally deserving when you recognize people. He said in reading through the annual report in the Board packet, he got a true sense of the amount of team work and collaboration on campus that impacts lives and makes a difference in this state. He congratulated those who were acknowledged as well as the countless others whose individual accomplishments make this a great institution.

### **3. BOARD CHAIR**

Chair Madsen and President Shepard provided a summary of the September 28 and 29, 2010 Board of Trustees Retreat. He said that once a year the Board meets for the purpose of assessing progress made at the institution and to discuss future plans and focus. He said that the Board accomplished both.

There was a review of the President's performance, where the trustees provided input to the President as to what we see as progress. This year we talked to faculty, students, and administrators to get their perspective on the progress the institution has made and the role that President Shepard has played in this. Madsen said that this is a new type of assessment.

Madsen said that a Board of Trustees assessment was done as well. What were our accomplishments and how do we think we can improve.

The second portion of the retreat was spent looking at the road ahead. Challenges we face and the future agenda of the university. He said that all agreed on the four fundamental cornerstones:

- Set and pursue an Olympia agenda
- Keep the campus together
- Moving into the silent phase of the comprehensive campaign
- Adopting a focused strategic plan

The President noted his appreciation to the Board for their engagement and support.

Madsen said that the Board is very pleased with the progress that President Shepard and the institution have made.

Trustee Munro thanked Stephanie Bowers, Vice President for University Advancement, and her staff for their assistance at the retreat.

### **4. UNIVERSITY PRESIDENT**

President Shepard reported that the university is in a time of grieving for the loss of a member of our community. He appreciated Chair Madsen taking a moment of silence at

yesterday's Board Meeting. The President spoke of the phases of tragedy: prevention; intervention; tragedy; and recovery.

Trustee Munro said that he had spoken to a number of parents and they were pleased at the response and the information they received. He asked about the university's emergency alert system. Vice President Coughlin provided information on the university alert system. Paul Cocke, Director of University Communications, said that approximately 2,000 students are signed up to receive cell phone alerts. He said that all students receive e-mail communication from the emergency alert system; however, they need to sign up and provide cell phone numbers to be able to receive emergency text alerts.

- **Campaign Update**

Vice President Bowers gave an update on the university's campaign. She said that meetings were underway with Campaign Feasibility Consults, The Collins Group, and with the Alumni Board. She said that beginning October 18 people will be invited to participate in the feasibility study, which includes interviews and focus groups. These meetings will wrap up by Thanksgiving. A preliminary report will be provided to the Board of Trustees and the Foundation Board at their December meetings.

## **5. ASSOCIATED STUDENTS**

Colin Watrin, AS President, provided a report to the Board. He said that the response from the campus community on the passing of Western student Dwight Clark has been amazing. He thanked his team of vice presidents with getting the word out to students and said that their ability to mobilize students quickly has been incredible. He said that there is a Remembrance Wall for Dwight Clark in Red Square.

Watrin gave a report of fall quarter start up. He talked about the AS involvement in legislative efforts. They have been involved with voter registration. Last year they registered 500 students to vote, and this year their goal is to double that. He said they exceeded that by far and have registered 1,390 new voters. He also reported that they have been working on a legislative strategy within the university that the student, faculty, staff, and administrators come together this summer to talk about how to present Western's legislative strategy to Olympia. The Ethnic Student Center is celebrating its 20th anniversary this year.

Trustee Espinoza commended the AS Board for their leadership over the last several weeks in regards to their organization during a tragic time. He acknowledged the stress of the situation, and thought they did an excellent job in representing students.

## **6. FACULTY SENATE**

Scott Pearce, Faculty Senate President, thanked President Shepard, Provost Riordan, and the vice presidents for the thought and care they took during the latest budget cut. He expressed the appreciation of the faculty, when concerns were voiced about consolidating the Music Library with the main library that the administration collaborated with the Senate to carefully consider alternatives. He said this is an example of keeping the university together as discussed earlier.

Pearce reported on the following activities:

- Working with the University Planning and Resources Council;
- Reviewing shared governance in the colleges;
- Discussing the strategic plan with the Senate;
- Holding the General Faculty Assembly on October 20;
- “Going global” and working with Interim Director of International Studies, Roger Gilman, to discuss a white paper on international studies.
- Looking at GURs and ways to foster greater coherence from which people can work on their professional development and majors.
- Representing a faculty presence in Olympia, together with the Associated Students and Sherry Burkey.

Trustee Sharpe said that Pearce had asked a question to the Board, soliciting views of where the university is headed in the future, and he had not received an answer. He said that he had done historical research on Western last year looking at transitioning presidents. In looking back, Western was a teacher’s college that turned into a teaching university, but he said where we go in the future, he does not know. Pearce said that if the Board has any particular thoughts, to contact him and he will bring them up to the faculty’s attention. He said that the university is evolving and he thinks the Board is leading the way and allowing us to think carefully about which direction we are moving.

Chair Madsen said that he wasn’t prepared to answer Pearce’s question. He said that he used to think that he knew where Western needed to grow to progress. He said that the more he works with faculty, students, and staff the more he realizes that an outsider is not able to provide that kind of perspective and insight. He said that the decisions about what the university evolves into, given the challenges we face and the shifts in the marketplace, are best left to the people in this room to work on. He senses a rising degree of trust and collaboration happening at the university. He said that the discussion on the strategic plan that was heard yesterday is part of a process that has been building.

## 7. CONSENT ITEMS

Trustee Sharpe recused himself from the consent item discussion and stepped out of the room.

MOTION 10-2-2010

Betti Fujikado moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following consent item:

- Award a construction contract to Tiger Construction, Everson, Washington, for the amount of \$748,000 [base bid plus alternates 1, 2A, 3A (quantity 4), 3B (quantity 9), and 4] to construct the Physical Plant Addition and Alterations Project (PW 626).

The motion passed.

Trustee Sharpe returned to the meeting.

**8. APPROVAL OF ADDITIONAL 2010-11 OPERATING BUDGET REDUCTIONS FOR SUBMISSION TO OFFICE OF FINANCIAL MANAGEMENT**

President Shepard said that the state fiscal situation further deteriorated and revenue projections fell short. The Governor had to exercise her constitutional responsibilities to reduce expenditures. For Western it means a reduction of slightly more than 3 million dollars. The President thanked all who was involved in the process, and said that he was impressed with the team work. He noted one modification from the original proposal regarding the branch library consolidation involving the holdings of the music collections. He said a group has been formed to look at possible alternatives. The President added that the Legislature will convene in January and they will again adopt a budget for 2010-11. Depending on what happens, the Board may see this matter again.

Trustee Espinoza said that he struggles with the current budget situation. He realizes how central some of the cuts are and what a serious state the university is in. He said that he supports the process and the method that the President has used to lead the campus through this.

Trustee Sharpe said that the process makes the Board's job easier, because the criteria was established long ago. He said that some will disagree with the outcome, but if the process is properly applied, you need to trust the collective judgment of the best minds of the faculty, staff, and students.

MOTION 10-3-2010      Ralph Munro moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the university's supplemental 2010-11 Operating Budget Request, including the Governor's required \$3,042,000 or 6.287 percent General Fund-State reduction. This reduction, if enacted by the 2011 legislature, will decrease Western's base General Fund-State appropriation for 2010-11 from \$48,391,000 to \$45,349,000.

The motion passed unanimously.

**9. APPROVAL OF AGREEMENT BETWEEN WESTERN WASHINGTON UNIVERSITY AND THE WESTERN WASHINGTON UNIVERSITY FOUNDATION**

President Shepard said that this is the same document that went before the Board in August. This revised agreement replaces the 1995 Agreement Between Western Washington University and the WWU Foundation. The purpose of the agreement is to formalize the relationship between the two entities and establish in a public agreement the parameters for development activities. The President said that much of the discussion in August focused on language that would prohibit the Foundation's ability to hire employees. Since August, a review was done of similar agreements at a number of institutions. He said that what is being presented is consistent with how this is done routinely at other institutions. He said the new language allows for hiring through contractual methods. He said that legal counsel has reassured him that her highest priority of concern is met by the language.

MOTION 10-4-2010      Ralph Munro moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the Agreement Between Western Washington University and the Western Washington University Foundation.



Further, that the Board of Trustees of Western Washington University authorize the Chair of the Board of Trustees to execute the Agreement on behalf of the Board of Trustees. Agreement is attached as **Attachment A**.

The motion passed unanimously.

**At 9:10 a.m. the Chair called for a 15 minute break.**

**The meeting reconvened at 9:35 a.m.**

Chair Madsen commented that the meeting agenda moved swiftly, which caused him to wonder if it was complacency that made that so. He said after reflection, that he thinks agenda items are being expedited because of the work and preparation that has gone into the items beforehand, like the budget and Foundation Agreement matters.

Madsen said that the agenda would change to the following order: Fall Opening to Item 10; Accreditation to Item 11; Real Food Challenge to Item 12.

## **10. FALL OPENING**

Vice President Coughlin reported on fall opening enrollment numbers. She said that Western has a total enrollment of 14,979 and state-funded-only enrollment of 14,095. She said this is a 2.8 percent increase over last year's numbers. The university's retention is 85.1 percent freshmen-to-sophomore, the second highest it has ever been.

Coughlin said that the student-of-color number went up by a full percent, from 18.66 to 19.5 percent. The number of students-of-color freshmen only, went up 2 percent from the year before. She said this is great success in this arena, and means that the university needs to continue to provide the necessary support and continue recognizing diversity.

She reported that the non-resident enrollment increased from 7.24 to 7.68 percent, and the average incoming GPA for freshmen is 3.48 approximate to what it was last year.

Coughlin said the data reflects positively on the university. Given the budget reductions it will be a challenging time considering the university is so full; however, it reflects well about the job we are doing and that we are attracting great students.

Trustee Munro asked how Western's enrollments compare with other universities. Coughlin said that the information has not been posted yet, but that the comparison Western posts includes retention and yields and many universities who participate in the exactly same data, enabling people to search and compare information. Coughlin said they take particular care at who we are competing with.

President Shepard said that non-resident student enrollment will increase as the university solicits out-of-state students.

Trustee Sharpe asked about statistical information and how the new electronic waiting list is helping in that regard. Provost Riordan discussed the progress being made utilizing the new electronic waiting list software.

## 11. NORTHWEST COMMISSION ON COLLEGES AND UNIVERSITIES FOCUSED INTERIM ACCREDITATION EVALUATION

Provost Riordan thanked Steve VanderStaay, Vice Provost for Undergraduate Education, and Roger Thompson, History faculty, for their work on the accreditation and invited them to present an overview.

VanderStaay provided the group with a definition of accreditation: *a process of peer review by which a university is assessed according to a set of standards*. As state employees, all employees must be assessed and all programs must undergo performance assessment. He said we have the ability of defining our own standards and assessing ourselves with the help of colleagues from other universities.

Western's accreditation was reaffirmed in 2008, following a ten-year self-study and onsite visit. The Northwest Commission on Colleges and Universities (NWCCU) identified four recommendations that they ask that the university carries out over the next two years. The four recommendations relate to:

- Transparency and faculty participation in resource decisions;
- Assessment;
- The Library's strategic plan; and
- The University's committee structure.

Thompson, Chair of the Academic Coordinating Commission, discussed Western's response to the Commission's recommendations.

Trustee Zoro asked what the trustees could do to prepare for the interim site visit. Thompson said that he felt that the accreditation committee will look at how Western responded to the recommendations. The Board could convey how quickly and effectively the university responded to the July 2008 recommendations. He also noted the importance of the new administrative hires and the effective team that was built the last year or two.

VanderStaay gave the example of how the university worked together to update the library strategic plan. He said that Western hired a dean to make that happen and that dean is fulfilling that goal. He said these types of key steps, demonstrate evidence-based decisions.

## 12. REAL FOOD CHALLENGE

Vice President Coughlin introduced the topic of partnership with food service and student leadership around sustainable foods. Coughlin asked Willy Hart, Director of University Residences, to introduce the students.

Hart introduced Western student presenters Emmett Cloud and Alyson Simeone.

Simeone said that the project was inspired from a variety of sources. It started at a grassroots level two years ago when she and three other students applied to get a scholarship to go to the Real Food Challenge conference in Portland, Oregon. The group brought back ideas from the conference to develop a Real Food Challenge at Western.

She said that the program manifested last year in a class called The Campus Sustainability Planning Studio. Simeone and three other students calculated the food at Western through

the Dining Services and compared it to other campus to see how Western compared with its availability of sustainable food.

She explained that there are two parts to the Real Food Challenge: the network and the calculator. The network consists of 333 colleges and universities across the country who are involved in the Challenge. Through that organization they are able to use one another as resources, as well as compare and contrast programs. The second part of the Real Food Challenge is the calculator itself, which calculates the amount of sustainable or real food purchased by universities.

Someone defined real food as: Real food truly nourishes the producers, the earth, communities and consumers and it is synonymous with sustainable food. She described the real food calculator as an Excel spreadsheet where formulas have been entered by students and food professionals across the country to calculate the sustainability of food products. Components of the calculator include: how local is the food, is it fair trade, was it raised or processed under humane conditions, and is it ecologically sound.

Western calculated the food at University Residences dining halls during a one-month period and had 14 percent in Real Food purchases. Seemingly a low number, but the group was inspired that it was more than the school they did their baseline comparison on. She said the group works with local farms, small-scaled organic farms; organic dairies or any food that had a Food Alliance Certification or Fair Trade Certification.

The group emphasized the importance of getting food from local farmers. One of the farms that Western works with is Growing Washington Farms and as a result of the relationship, Western has become Washington's largest customer and the largest farm-to-campus food program in Washington State. The campus has received over a hundred varieties of organically grown produce.

### **13. AUDIT COMMITTEE REPORT**

Board Audit Committee Chair Zoro affirmed that the members of the Audit Committee are Betti Fujikado, Phil Sharpe, and herself.

Zoro said the Audit Committee met yesterday and approved the minutes of the June 10, 2010 Audit Committee meeting and the minutes of the September 21, 2010 special meeting. She reported that the Committee met representatives from the State Auditor's Office, who presented a plan of their accountability and compliance audit.

She reported that Vice President Van Den Hul led a discussion of options for obtaining financial statement audit services for the years 2010-11. She said that there has been much deliberation at the last two meetings regarding services for the financial statement audit. Three selection opportunities: (1) issuing a Memorandum of Understanding with the State Auditor's Office; (2) going through a formal Request for Proposal for an external auditor; and (3) extending the current contract with KPMG, the existing auditors. Zoro said that the Audit Committee Charter states that the committee is responsible for making a recommendation to the Board on the appointment or replacement of the independent auditors and that the terms of the engagement are approved by the Audit Committee based on these responsibilities.

Vice President Van Den Hul provided an overview of how the Audit Committee arrived at their recommendation for the Board's consideration.

Zoro moved the following motion, seconded by Ralph Munro.

MOTION 10-5-2010      Ralph Munro seconded the motion, upon the recommendation of the Board of Trustees Audit Committee, the appointment of the Washington State Auditor's Office to perform the financial statement audit, starting with the June 30, 2011 financial statement, for a period not to exceed three years.

The motion passed unanimously.

Zoro completed her report. The Internal Audit Director provided the Audit Committee with a recently issued Whistleblower Report from the State Auditor's Office and also updated the Committee on the status of Internal Audit projects.

**Chair Madsen opened the meeting for other items for discussion.**

Trustee Sharpe asked for an update on university branding initiative. Vice President Swan talked about the role that branding strategies played in the sub-committee work related to the mission, vision, and strategic goal. He said that he was pleased with the good discussion that surrounded between the brand strategy and the creation of the new strategic goals that faculty were enthused and used the branding initiative as a guide.

Trustee Sharpe said an individual asked him why \$80,000 was spent on branding when the money could have been used to hire or retain people. He suggested that the campus articulates why the branding initiative is worthwhile to the university. President Shepard responded that the initiative was a priority of the university and that the project did not use state funds, so those dollars would not have been available to hire a state employee.

**14. INFORMATION ITEMS**

▪ **Alumni Relations Report**

Vice President Bowers provided a written report on the university's Alumni Relations.

▪ **Capital Program Report**

Vice President Van Den Hul provided a written report on the university's Capital Program.

▪ **Development Report**

Vice President Bowers provided a written report on recent activities of the Western Washington University Foundation.

▪ **Office of the Internal Auditor Annual Report**

Kim Herrenkohl, Internal Audit Director, presented an annual report to the Board on the Office of the Internal Auditor.

▪ **Quarterly Academic Program Report**

Provost Riordan provided a brief report on the recent activities of Academic Affairs.

- **Quarterly Grant Report**

Provost Riordan provided a report from the Office of Research and Sponsored Programs concerning grant awards for the period of July 1, 2010 through September 30, 2010.

- **WWU Annual Report**

- **University Relations Report**

Vice President Swan provided a written report on the recent activities of University Relations.

**15. MEETING EVALUATION AND FUTURE AGENDA TOPICS**

**16. DATE FOR NEXT REGULAR MEETING: December 9, 10, 2010**

**17. EXECUTIVE SESSION**

At 11:10 a.m. Chair Madsen announced that the Board would go into Executive Session for approximately 10 minutes to discuss personnel matters as authorized in RCW 42.30.110.

At 11:20 p.m. the Board returned to open meeting with no action to report.

**18. ADJOURNMENT**

The Board adjourned the meeting at 11:20 a.m. and proceeded to lunch to hear a presentation from the Vehicle Research Institute (VRI). Eric Leonhardt, VRI Director, along with members of the Viking 45 Team shared their experiences at the \$10 Million Progressive Automotive X-Prize Competition in Detroit.

**AGREEMENT  
between  
WESTERN WASHINGTON UNIVERSITY  
and  
WESTERN WASHINGTON UNIVERSITY FOUNDATION**

**August 2010**

THIS AGREEMENT is entered into by and between WESTERN WASHINGTON UNIVERSITY (the University), a public institution of higher education located in Bellingham, Washington, and WESTERN WASHINGTON UNIVERSITY FOUNDATION (the Foundation), a nonprofit corporation headquartered at the University in Bellingham, Washington.

WHEREAS, the University, pursuant to RCW 28B.35.120(10) may receive such gifts, grants, conveyances, devises, and bequests of real or personal property from whatsoever sources, as may be made from time to time, in trust or otherwise, whenever the terms and conditions thereof will aid in carrying out University programs; and

WHEREAS, the University has, from its express power to receive such gifts, the implied power to solicit the same pursuant to an agreement such as this; and

WHEREAS, the University has authority pursuant to RCW 28B.35.120(1) to carry out such other activities consistent with Chapter 28B.35 RCW and the authority pursuant to RCW 28B.35.120(9) to enter into contracts essential to the purposes of the University; and

WHEREAS, the Foundation is a nonprofit corporation duly organized for such purposes as maintaining, developing, increasing, and extending the facilities and services of the University; and

WHEREAS, the Foundation is empowered to solicit and receive property and to make contributions, grants, gifts, and transfers of property to the University; and

WHEREAS, the University and the Foundation first entered into a similar agreement in 1995, which has been reviewed and is now amended to reflect changes in the name of the Foundation and to update other aspects of the relationship between the University and the Foundation,

NOW, THEREFORE, the parties hereby agree as follows:

**I. Pledge of Mutual Support and Cooperation**

The Board of Trustees of the University and the Board of Directors of the Foundation pledge their mutual support and cooperation in furtherance of the respective purposes of the University and the Foundation. The Board of Trustees of the University recognizes and respects the authority of the Board of Directors of the Foundation to govern and manage its affairs, as set forth in its Articles of Incorporation. The Board of Directors of the Foundation recognizes and respects the authority of the Board of Trustees to govern the University, to define its policies and purposes, and to determine program emphasis.

**II. Obligations of the Foundation**

The Foundation, its Board of Directors, officers, and agents agree to:

1. Design and implement such programs and procedures so as to persuade continuous and special philanthropic support and benefactions to further the purposes of the Foundation for the benefit of the University.

This support shall include financial support for the University President and other designated University officials to engage in University development activity, including, but not limited to, expenses for travel, vehicle provision, certain memberships, and entertainment expenses, as may need to be incurred. For this purpose, the Foundation will comply with all applicable federal and state laws, and will establish rules and procedures for the management of all affairs of the Foundation in accordance with:

a. the requirements for tax-exempt entities under the federal laws described in Section 501(c)(3) of the Internal Revenue Code of 1954 and 1986, or acts amendatory thereof or supplementary thereto; and

b. the laws of the state of Washington applicable to the Foundation, including, but not limited to, those governing charitable solicitations (Chapter 19.09 RCW), nonprofit corporations (Chapter 24.03 RCW), trusts holding property for charitable purposes (Chapter 11.110 RCW), and the authority of state agencies (Chapter 43.09).

2. Apply for and aid in the processing of applications for patents and copyrights; receive or purchase patents and copyrights, inventions, processes, and discoveries; hold, manage, use, and develop the same; sell, license, or otherwise dispose of the same; and collect royalties thereon.

3. Accept, hold, administer, invest, and disburse such funds and properties of any kind or character as from time to time may be given to it by persons or foundations absolutely or in trust, as the case may be; retain proper agents, experts, consultants, accountants, counselors, advisers, and investment advisers for the proper accepting, holding, administering, investing, and disbursing of such funds and properties of any kind or character; and in general do all things that may appear necessary and useful in accomplishing these purposes.

4. Acknowledge that the Foundation ~~has no authority to hire employees to work on campus, but~~ can provide financial support for the University to hire employees for various program or development activities.

5. Use all assets and earnings of the Foundation exclusively for University purposes, including the payment of expenses necessarily incident thereto; and no part of such assets and earnings shall benefit any officer or member of the Board of the Foundation or any other individual, except in payment of reasonable compensation for services actually rendered or expenses necessarily incurred.

6. Have the authority, and it shall be its duty, to hold and apply the corpus and income of any donation, grant, devise, or bequest, or any part thereof in such manner as may have been stipulated or provided in the instrument creating such donation, grant, devise, or bequest.

7. Have the authority to sell, mortgage, pledge, lease, or exchange all or any part of the real or personal property or funds of the Foundation, unless otherwise specifically provided in the Foundation's creating instrument, at such prices and upon such terms and conditions as the Foundation may deem best; and the Foundation may prudently invest and reinvest Foundation funds, although such investments are not approved as investments for University trustees under the laws of the state of Washington.

8. Have full power and authority to purchase, lease, accept as a gift, devise, or bequest, or otherwise acquire such real or personal property for University purposes, contingent upon University approval by the President or his designee, and to establish title of such property in the University upon acknowledgement of receipt.

9. Have full power and authority to purchase, lease, accept as a gift, devise, or bequest, or otherwise acquire such real or personal property, to be held, administered, or used in any way whatsoever for the benefit of the University, or to assist the University in the fulfillment of its educational purposes; and to that end, the Foundation shall have full power and authority to hold, own, control, handle, administer, or operate any such real or personal

property, including the operation of any business connected with or incident to the ownership or control of such property, and to sell, lease, pledge, mortgage, exchange, or otherwise dispose of any such property at such prices and upon such terms and conditions as it may deem best.

10. Borrow money and make and issue bonds, notes, contracts, and other evidence of indebtedness therefore, and by the proper resolution duly adopted by a majority vote of the members of the Foundation's Board of Directors, to secure payment thereof by authority provided above.

11. Engage in and disburse any part or all of its funds, both income and principal, for any and all lawful activities permitted by the laws and regulations governing tax-exempt charitable corporations at that time, and which may be necessary or incidental to the furtherance of the purposes of this Foundation, including disbursements for scholarships or grants for students at the University pursuant to such terms and conditions as might be lawfully established by donors or the University.

12. Hold, invest, and manage University endowment funds established through donation, grant, devise, or bequest from any public or private source as agent of the University; and apply the corpus and income, or any part thereof in such manner as may have been stipulated or provided in the instrument creating the endowment.

13. Use reasonable portions of its funds and income thereto to pay the administrative expenses of the operation of the Foundation not provided by the University under this Agreement.

14. Not change its stated purpose for existence as set forth in Article IV of its Articles of Incorporation during the lifetime of this Agreement without first obtaining written consent from the University.

15. Agrees to be responsible and account for in its own records all donations wherein the donor names the Foundation or the University as recipient. The Foundation agrees to accept, acknowledge, and timely tender to the University all donations it receives from donors who expressly direct that the donation be made to the University and not the Foundation. Funds will be timely tendered to the University in accordance with donor intent and University policy.

16. Agrees to transmit to the University's Vice President for Business and Financial Affairs a copy of its annual audited financial statement and management letter, if any, prepared by an independent certified public accountant, by October 15 of each year. The Foundation agrees to make its books and records available to audit by such individual as designated by the University's Board of Trustees or its designee.

### **III. Obligations of the University**

For and in consideration of the Foundation promising to operate solely for the benefit of the University and to carry out the aforementioned activities, the University agrees to:

1. Provide the Foundation with office space, utilities, office equipment, furnishings, and access to space for development activities. The fair rental market value for the use of such space and equipment shall be deemed to be a partial payment by the University for the Foundation's services as described in Article II above.

2. Provide the Foundation with support services, such as consumable office supplies, telephone service, software and data services, postage, the use of audio-visual equipment and services, errors and omissions insurance coverage for its directors, workers' compensation insurance coverage for its volunteers, and duplicating, printing, and publication services, all as partial payment for the Foundation's services to the University as described in Article II above.



3. Provide for the operation of the Foundation, professional staff services in the form of a person to function as executive director of the Foundation and such other professional and classified staff as may be needed to carry out Foundation activities within the confines of support budgeted by the University. The University also agrees to provide accounting, fiscal, information, and such other services as may be necessary to carry out Foundation activities. The services provided to the Foundation by the University pursuant to this section shall be services rendered by employees of the University.

4. Provide parking passes to Foundation donors for special events and other limited uses as specified annually by the Foundation.

5. Annually determine the level of services to be provided to the Foundation, in consultation with the Foundation. The services anticipated to be provided may include the provisions of memberships, a vehicle for use by the President, reimbursement for entertainment expenses connected to development activities, and the like, to be incurred by the President and other designated University staff. The President's expenses will be reviewed quarterly by the Chair of the Board of Trustees of the University, or his designee, including those submitted for reimbursement to the Foundation, to insure that the President's expenses have been properly submitted, reviewed, and approved.

6. Submit an annual statement of accounting to the Foundation summarizing the value of items 1, 2, and 3 above, and referencing salary and benefits. This submission can be in the form of the portion of the annual operating budget adopted by the University which relates to University advancement and development activity. The University shall submit its annual statement of accounting to the Foundation by September 1 of each year.

#### **IV. Services Acknowledged**

The services as described in Article III above shall constitute payment in full by the University for Foundation services. The Foundation will in turn acknowledge to the University that it has fully complied with its obligation to expend its best efforts to seek to accrue gifts, grants, donations, and endowments for the benefit of the University.

#### **V. Other Agreements**

The Foundation and the University further agree as follows:

1. At all times and for all purposes of this Agreement, except for the provisions in paragraph II. 12, the Foundation shall act as an independent contractor and not as an agent of the University. The Foundation, when acting as an agent of the University, shall abide by the terms set forth in Western Washington University Board of Trustees rules of operations.

2. That Foundation books, accounts, and records are not public records as defined in Chapter 42.17 RCW and Chapter 42.56 RCW; and that the University's public records that pertain to donations to the University are non-disclosable under RCW 42.56.320(4) or otherwise non-disclosable under RCW 42.56.230(4) or .420(4), or such other provisions as may be enacted into law.

3. Foundation accounts and records pertaining to the management of University endowments are deemed public records and the Foundation shall provide, upon request of the University, reports thereon in a timely manner.

#### **VI. Not Assignable**

This Agreement is not assignable by the Foundation either in whole or in part.

#### **VII. Variations and Amendments in Writing**

No amendment, alteration, or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreements not incorporated herein, and no amendments, alterations, or variations of the terms hereof unless made in writing between the parties, shall be binding on any of the parties hereto.

#### **VIII. Parties Responsible for Own Acts**

The Foundation and the University shall each be responsible for their own acts and responsible to each other for any negligent acts which cause damage to the other.

#### **IX. Termination of Agreement**

This Agreement may be terminated by either party effective at the end of any State of Washington fiscal year upon written notice to the other party at least thirty (30) days in advance thereof.

#### **X. Choice of Laws**

This agreement shall be construed in accordance with the laws of the state of Washington.

#### **XI. Effective Date**

This Agreement shall be effective immediately and replaces any and all earlier agreements between the parties.

**WESTERN WASHINGTON UNIVERSITY**

By: \_\_\_\_\_  
Chair, Board of Trustees

Date: \_\_\_\_\_

Attest: \_\_\_\_\_  
Secretary, Board of Trustees

Date: \_\_\_\_\_

Approved as to legal form:

By: \_\_\_\_\_  
WENDY K. BOHLKE, Senior Counsel  
Office of Attorney General

Date: \_\_\_\_\_

**WESTERN WASHINGTON UNIVERSITY FOUNDATION**

By: \_\_\_\_\_  
Chair, Board of Directors

Date: \_\_\_\_\_

Attest: \_\_\_\_\_  
Secretary, Board of Directors

Date: \_\_\_\_\_

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard  
**DATE:** December 10, 2010  
**SUBJECT:** Recognition of Faculty and Staff

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**Academic Instructional Center**

Western Washington University's Academic Instructional Center recently received an Honorable Mention award from Environmental Design + Construction magazine for demonstrating outstanding sustainable design. The award was presented at the national Greenbuild conference November 18 in Chicago, Illinois. The Center is also a LEED certified facility.

In 2009 the Academic Instructional Center received one of two Civic Design Honor Awards from the Washington State Council of the American Institute of Architects. In 2009 the Academic Instructional Center also received a merit award at the American Institute of Architects Portland Design Awards. The building was designed by NAC Architects of Seattle in association with Opsis Architecture of Portland.

Three staff being recognized for their exemplary contributions to the success of this academic building are:

- Rick Benner, Executive Director, Capital Planning and University Architect
- Ed Simpson, Assistant Director, Facilities Management
- Gil Aiken, Project Manager, Facilities Management

**George Kriz, Chemistry – American Chemical Society Award**

Professor George S. Kriz, a member of Western's Department of Chemistry since 1967, was the 2010 recipient of the American Chemical Society Division of Chemical Education's Outstanding Service Award. Kriz was cited for leadership in development of education materials, chairing the Division of Chemical Education Biennial Conference Committee from 2003 to 2006, and for his exquisite organization of the 17<sup>th</sup> Biennial Conference on Chemical Education (BCCE) that was held at Western Washington University in 2002. The Biennial Conference on Chemical Education is the world's largest meeting of professionals in the field of chemistry education.

Kriz received the 2000 Peter J. Elich Excellence in Teaching Award in 2000 and currently serves Western as the Director of Advising for the Pre-Healthcare Professions and as Acting Chair of the Department of Chemistry.

### **David Meyer, Music – 19th Annual Van Lawrence Fellowship Award**

Professor, associate professor of Voice in Western's Department of Music and director of the Western Washington University Opera Studio was the recipient of the 19th Annual Van Lawrence Fellowship Award. This annual award was presented in June 2010 by the National Association of Teachers of Singing and the Voice Foundation in recognition of contributions to the field of singing, teaching and the use of voice science. An international organization, the Voice Foundation is dedicated to solving voice problems, including understanding the voice and improving its quality and care.

Professor Meyer has performed internationally in opera, concert and solo recitals. In the past 10 years, he has performed in more than 40 professional engagements with opera companies, orchestras, choral organizations and chamber music groups. His 2009 Bellevue Opera performance of "Scarpia" in Puccini's "Tosca" drew critical acclaim. Abroad, Professor Meyer has sung with the Hessische Staatstheater Wiesbaden in Germany, with the Krakow Opera in Poland, and with the Staatstheater Winterthur in Switzerland. He has performed at the Aldeburgh Festival in England, at the Concertgebouw in Holland, and he has toured with Paul Hillier as a member of "Theater of Voices." He has also stage directed and produced ten operas at WWU since 2003.

### **Sherry Mallory, Associate Dean of Students – NASPA Fred Turner Award for Outstanding Service**

Sherry Mallory, Associate Dean of Students at Western Washington University, has been named the NASPA (Student Affairs Administrators in Higher Education) Region V recipient of the Fred Turner Award for Outstanding Service. Award recipients are evaluated on the basis of their continuous service to NASPA for ten years or more, evidence of significant state or regional leadership, and evidence of ongoing support for and significant contribution to the advancement of NASPA. The regional award winners will now be considered for the national, to be given at NASPA's annual conference in Philadelphia in March 2011.

Mallory has been at Western since 2005, first as special assistant to the vice president for student affairs and academic support services, and as associate dean of students since 2009. Additionally, she has taught for Western's master's program in Student Affairs Administration, where she is responsible for the capstone course, "Current Issues in Student Affairs/Higher Education."

### **Jim Schuster, Director of Viking Union Facilities – ACUI Vern Solbach Award**

Jim Schuster, Director of Viking Union Facilities at Western, was recently awarded the 2010 Association of College Unions International (ACUI) Region 14 Vern Solbach Award. The award is in recognition of outstanding leadership honoring the goals and objectives of the organization which serves college union and student activities professionals. Jim was honored as a student union professional who displays significant ACUI regional and international leadership and serves as a role model for students and others in the profession.

Schuster has been at Western since 1976, originally as associate director of Viking Union Facilities, becoming director in 2004.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** Dennis Madsen, Chair, Board of Trustees  
**DATE:** December 10, 2010  
**SUBJECT:** Board Chair Report  
**PURPOSE:** Information Item

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**Purpose of Submittal:**

Board Chair Dennis Madsen will report to members of the Board and President Shepard and his staff on topics related to the Board of Trustees.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** Bruce Shepard, President

**DATE:** December 10, 2010

**SUBJECT:** President's Report

**PURPOSE:** Information Item

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**Purpose of Submittal:**

President Shepard will update members of the Board on campus-community matters.

**RESOLUTION NO. 2010-11**

**A RESOLUTION OF THE BOARD OF TRUSTEES OF  
WESTERN WASHINGTON UNIVERSITY  
RECOGNIZING THE SERVICE OF  
STEPHANIE SALZMAN**

WHEREAS, in 2002, STEPHANIE SALZMAN was appointed by President Karen W. Morse as Dean of Woodring College of Education at Western Washington University; and

WHEREAS, STEPHANIE SALZMAN brought to her appointment as Dean of Woodring College of Education, experience as a faculty member, associate dean, and director of the Office of Standards and Assessment in the College of Education, Idaho State University; as well as experience as an instructor and student teacher supervisor in the School of Education, California State University, Sacramento; and

WHEREAS, STEPHANIE SALZMAN received her undergraduate degree from the University of California, Los Angeles; her graduate degree from California State University, Sacramento; and her doctorate from University of the Pacific; and

WHEREAS, under STEPHANIE SALZMAN's exceptional leadership, Woodring College of Education has successfully addressed a number of significant goals and is now recognized throughout Washington, and beyond, as a leader in the development and implementation of programs that prepare outstanding teachers, from early childhood to adult education; educational administration leaders; human services professionals; and rehabilitation counselors; and

WHEREAS, under STEPHANIE SALZMAN' s guidance, Woodring College of Education has adopted a mission that *fosters community relationships and a culture of learning that advances knowledge, embraces diversity and promotes social justice*; and

WHEREAS, STEPHANIE SALZMAN is a highly effective leader and has served with commitment and distinction as Dean of Woodring College of Education and as a trusted member of the Academic Affairs leadership team; and

WHEREAS, STEPHANIE SALZMAN will be leaving Western to pursue the next stage in her career;

NOW, THEREFORE BE IT RESOLVED that the Board of Trustees of Western Washington University offers thanks and commendation to STEPHANIE SALZMAN for her many achievements and service as Dean of Woodring College of Education.

PASSED and APPROVED by the Board of Trustees of Western Washington University at its regular meeting on December 10, 2010.

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Dennis Madsen, Chair

ATTEST:

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Betti Fujikado, Secretary



**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 10, 2010

**SUBJECT:** **Program Highlights from Woodring College of Education**  
Michael Henniger, Associate Dean, Woodring College of  
Education

**PURPOSE:** Informational Item

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**Purpose of Submittal:**

Woodring College of Education is recognized throughout Washington, and beyond, as a leader in the development and implementation of programs that prepare outstanding teachers, from early childhood to adult education; educational administration leaders; human services professionals; and rehabilitation counselors. This is an opportunity for Dr. Henniger to share information and provide examples about some of the successes Woodring College of Education has experienced specifically during the past eight years.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard on behalf of the Associated Students

**DATE:** December 10, 2010

**SUBJECT:** **Associated Students**

**PURPOSE:** Associated Students Report

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**Purpose of Submittal:**

Colin Watrin will update the board on recent activities of the Associated Students. Supporting information is attached.

**Supporting Information:**

The second half of fall quarter has been busy for the Associated Students. A few major projects we have been working on internally include revising our programmatic standards for each office to go along with our new and evolving Tactical Assessment Program. We have also begun developing a strategic plan for the Associated Students to use as a guiding document from year to year. This will hopefully be completed by the end of winter quarter. The AS has also begun revising and standardizing our internship process across the organization. This will create a more beneficial experience for student and the offices participating. Additionally in coordination with the Viking Union the AS Facilities and Services Council has begun a project called "Union of Nations." This would be a display in the Viking Union of flags from every nationality of students attending Western.

Lastly the Associated Students has been working to get ready for the upcoming legislative session. We have set the AS Legislative Agenda (see attached) as well as played a large role in developing the agenda for the Washington Student Association (WSA). Currently we are organizing our annual Viking Lobby Day where students travel down to Olympia to meet with legislators. This year looks to be a record number of participants nearing almost fifty students traveling to Olympia.

*Over, please*



## Associated Students of Western Washington University 2011 State Legislative Agenda

**Legislative Mission:** The Associated Students of Western Washington University, the recognized student governance organization on campus, advocates measures that protect the institutional integrity that fosters a student's personal growth and prepares them to make a positive contribution in our society.

### FUNDING AND TUITION

- Affirm that higher education is a public good. State support should be equivalent to the maintenance operating level established in the 2009-2011 biennium.
- Support a tuition rate that is accessible and predictable for students.
- Support legislation that accounts for any increase in tuition with an equivalent increase in financial aid.

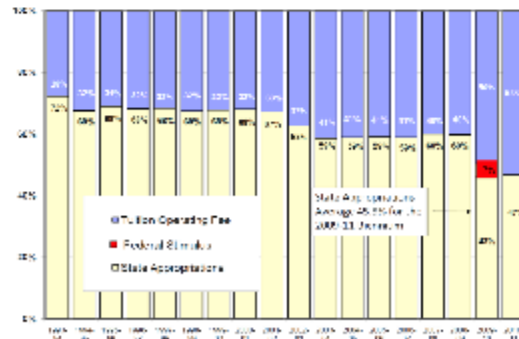
### FINANCIAL AID

- Oppose funding reductions to all forms of financial aid in order to maintain minimum levels of accessibility to higher education in Washington State.
- Support legislation and funding to raise eligibility for the State Need Grant to 100% of the median family income for Washington State.
- Support legislation and funding that increases access to State Work Study.



**Tuition Rates**

Tuition rates have increased substantially outpacing median family income.



**State vs Student Funding**

Students now fund more than the state since the 2008-09 budget

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard on behalf of the Faculty Senate  
**DATE:** December 10, 2010  
**SUBJECT:** Faculty Senate  
**PURPOSE:** Information Item

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Scott Pearce, Faculty Senate President, will brief the Board on recent activities of the Faculty Senate.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard  
**DATE:** December 10, 2010  
**SUBJECT:** **Consent Items**  
**PURPOSE:** Action Items

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**Purpose of Submittal:**

Approval of the university recommendations provided on the consent item agenda.

**Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following consent items:

- Approval of Fall Quarter Degrees
- Approval of Summer Session Tuition and Fees for 2011
- Accept and Approve Employment Appointment for Cyndie Shepard

**Supporting Information:**

Materials supporting the consent item agenda are attached.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Provost Catherine Riordan  
**DATE:** December 10, 2010  
**SUBJECT:** **Approval of Degrees**  
**PURPOSE:** Action Item

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**Purpose of Submittal:**

Board of Trustees responsibility to approve awarding of degrees

**Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the faculty and subject to the completion of any unmet requirements, approves awarding undergraduate and graduate degrees to the candidates listed in the files of the Registrar and Graduate Dean, for Fall Quarter 2010, effective December 11, 2010.

**Supporting Information:**

Lists on file with the Registrar and Graduate Dean.

# WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Provost Catherine Riordan  
**DATE:** December 10, 2010  
**SUBJECT:** **Approval of Summer Session Tuition and Fees**  
**PURPOSE:** Action Item

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## **Purpose of Submittal:**

Board of Trustees responsibility to approve summer quarter tuition and fees

## **Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the President, approves the recommended Summer Session Tuition for Summer 2011: specifically that tuition be set at \$186.00 per credit for undergraduate courses and that student tuition be charged on a per credit basis. Non-resident students would pay tuition at \$200.00 per credit for Summer Session.

Graduate tuition for resident students will remain at \$202.00 per credit for Summer Session. Non-resident students would pay tuition at \$216.00 per credit for Summer Session.

Summer Registration Fee will remain at \$70.00 per student.

## **Supporting Information:**

In order to prepare for publication of the summer catalog, summer quarter tuition is generally set at the Board's December meeting. Revisions to summer session tuition may be adopted at the April Board meeting, if necessary.

Summer 2011 undergraduate tuition rates represent an increase over Summer 2010 tuition rates and are based on preceding academic year (2010-11) per credit-hour fee increases for part-time undergraduate students. The increase is expected to cover expenditures related to the state's mandatory waivers for veteran dependents being applied towards summer session credit classes, expenditures related to the central administrative services assessment, curricular updates, reinvestment in program development into different delivery modalities, and modest increases to non-HCA benefits costs. The Summer 2011 graduate tuition rate for resident students remains unchanged from Summer 2010 levels, as there was no corresponding increase in part-time graduate tuition rates from the preceding academic year (2010-11).

The increase in the non-resident tuition differential for both undergraduate and graduate students is expected to cover increases in costs associated with personnel, administration and rent for the summer session office. There has not been an increase to the non-resident tuition since the fee was established in 2004.

Source of funds: Self-supporting Dedicated Revenue



# **WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** Provost Catherine Riordan  
**DATE:** December 10, 2010  
**SUBJECT:** **Employment Appointment of Cyndie Shepard**  
**PURPOSE:** Action Item

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## **Purpose of Submittal:**

Pursuant to Western Washington University Board of Trustees Rules of Operation, Section 070(3), Authority, Powers, and Duties of the President, employment matters related to the hiring of the President's relatives is delegated to the Provost. The Provost has responsibility for personnel matters, including salary, of any such employee, subject to review by the Board of Trustees.

Provost Riordan is requesting the board's review and approval of the report on employment matters related to President Shepard's spouse, Cyndie Shepard, for Winter Quarter 2011.

## **Proposed Motion:**

Moved, that the Board of Trustees of Western Washington University, upon the recommendation of the Provost, accepts and approves the Provost's report regarding the employment of Cyndie Shepard and ratifies her appointment as a substitute teacher for Winter Quarter 2011.

## **Employment Appointment of Cyndie Shepard:**

- Fall Quarter 2011 as a guest speaker for an Independent Study dance class at \$75.
- Winter Quarter 2011 for substitute teaching one two-credit class at \$1,250 per credit for \$2,500.

## **Summary:**

The Provost has delegated appointing authority for temporary faculty appointments to the Deans of the various colleges as did previous provosts:

1. Those contractual appointments for a duration of one or two quarters are effected through an electronic contracting process involving the department chair, dean and instructor.
2. For offers of temporary employment to occur over all three quarters in a regular academic year, written letters of offer require handwritten signatures of the deans, chairs and proposed instructor.

The Provost does not ordinarily sign or review such contracts, however, such contracts are reviewed and processed by staff in the Provost's Office.

As to relatives of the President, the Provost does have the responsibility pertaining to making letters of offer, evaluations, salary modification, and supervision of any such employee.

To ensure that the Provost exercise such responsibility as contemplated by the Board of Trustees Rules of Operation, she has directed that any e-form faculty contract or letter of offer pertaining to Cyndie Shepard include her signature. The Provost will also report annually to the Board of Trustees of any such contact activity.

The Provost therefore submits this report. Should there be proposals from any college to hire Cyndie Shepard into any employment positions other than substitute teaching, the Provost will submit such to the Board prior to any letters of offer and prior to the commencement of the proposed employment.

**Supporting Information:**

WWU Board of Trustees Rules of Operation – Please refer to Section 070(3)

## **WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Jeff Newcomer, Chair, University Planning and Resources Council

**DATE:** December 10, 2010

**SUBJECT:** Approval of University Mission, Vision and Strategic Goals

**PURPOSE:** Action Item

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### **Purpose of Submittal:**

To replace Western Washington University's 2006 Strategic Plan with an updated strategic plan.

At the request of President Shepard, the UPRC began work to update Western Washington University's Strategic Plan September 22. A subcommittee of UPRC completed the initial draft in early October, which was discussed and amended at UPRC on October 6. UPRC discussed the October 6 draft with the Board of Trustees on October 7. UPRC released a second draft for public comment on October 15. All members of the UPRC collected feedback from constituents, and feedback was also collected from the Faculty Senate, Academic Coordinating Commission (ACC), and through an open forum on October 20. The UPRC considered all of the feedback and released another draft on November 5. Once again the UPRC collected and considered feedback on the draft. The UPRC amended the November 5 draft, agreed upon the final draft, and approved it on November 17. The Faculty Senate, at the UPRC's request, considered and approved the final draft on November 22.

### **Proposed Motion:**

MOVED that the Board of Trustees of Western Washington University, upon recommendation of the President, approve the Western Washington University Mission, Vision and Strategic Goals as presented to replace the 2006 Strategic Plan, effective January 1, 2011.

### **Supporting Information:**

- University Mission and Strategic Focus Statement – in final format

## **Mission**

Western Washington University serves the people of the State of Washington, the nation, and the world by bringing together individuals of diverse backgrounds and perspectives in an inclusive, student-centered university that develops the potential of learners and the well-being of communities.

## **Vision**

Western will build a stronger Washington by being an international leader in active learning, critical thinking, and societal problem solving.

## **Strategic Goals**

- Build upon Western's strengths to address critical needs in the State of Washington.
- Expand student access to rigorous and engaging baccalaureate and graduate education.
- Foster and promote life-long learning and success in an ever-changing world.
- Apply Western's expertise and collaborative approach to scholarship, creativity, and research in ways that strengthen communities beyond the campus.
- Serve as a model for institutional effectiveness, innovation, diversity, and sustainability.

## ***Western ...***

- *Exceptional faculty and students engaged in leading edge intellectual inquiry.*
- *Liberal arts are the core strength of our academic programs.*
- *High quality academic programs are central to our mission.*
- *A place to build professional skills and abilities.*
- *Research, scholarship, and creative endeavor are fundamental to the Western experience.*
- *An environment that welcomes and embraces diversity.*
- *Committed to open, passionate, and civil discourse, leading to transparent and well-informed decision-making.*
- *Responsible stewards of resources.*
- *Distinguished by a sense of place and community.*
- *A collaborative environment where faculty, staff, and students contribute to the mission of the University.*
- *Bringing the world to Washington and Washington to the world.*

***Active Minds Changing Lives***

**WESTERN WASHINGTON UNIVERSITY  
BOARD OF TRUSTEES**

**RESOLUTION NO. 2010-12  
AUTHORIZING INVESTMENT OF WESTERN WASHINGTON UNIVERSITY  
MONIES IN THE LOCAL GOVERNMENT INVESTMENT POOL**

WHEREAS, pursuant to Chapter 294, Laws of 1986, the Legislature created a trust fund to be known as the public funds investment account, commonly referred to as the Local Government Investment Pool (LGIP), for the deposit of money by an authorized governmental entity for purposes of investment by the State Treasurer; and

WHEREAS, from time to time it may be advantageous to Western Washington University to deposit funds available for investment in the LGIP; and,

WHEREAS, any deposits made on behalf of Western Washington University shall be first duly authorized by the Western Washington University Board of Trustees, its governing body, in this resolution or a subsequent resolution, and a certified copy of said resolution shall be filed with the State Treasurer's Office; and

WHEREAS, the governing body attests by the signature of its members that it is duly authorized and empowered to enter into this agreement, to direct the deposit of Western Washington University's monies, and to delegate certain authority to make adjustments to the incorporated transactional forms, to the designated individuals herein.

NOW THEREFORE, BE IT RESOLVED that Western Washington University does hereby authorize the deposit and withdrawal of governmental entity monies in the LGIP in the manner prescribed by law, rule and applicable policies and procedures for LGIP.

BE IT FURTHER RESOLVED that Western Washington University has approved the Local Government Investment Pool Transaction Authorization Form (Form) as completed by the Western Washington University's Vice President for Business and Financial Affairs and incorporates said Form into this resolution by reference and does hereby attest to its accuracy.

BE IT FURTHER RESOLVED that Western Washington University designates Western Washington University's President, the "authorized individual", to authorize all amendments, changes, or alterations to the Form or any other documentation including designating other individuals to make deposits and withdrawals on behalf of Western Washington University.

BE IT FURTHER RESOLVED that this delegation ends upon further action by Western Washington University terminating the delegation. It is the responsibility of Western Washington University to notify the State Treasurer's Office immediately when any action has been taken to end this delegation.

BE IT FURTHER RESOLVED that Western Washington University acknowledges that neither the State of Washington nor the State Treasurer guarantees any investment made by the governmental entity in the LGIP and it is possible to lose money by investing in the LGIP. Therefore, Western Washington University agrees to hold the State of Washington, the State Treasurer, and the LGIP harmless from any investment losses incurred as a result of investment with the LGIP.

PASSED AND ADOPTED by the Board of Trustees of Western Washington University, State of Washington, on this 10<sup>th</sup> day of December, 2010.

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Dennis Madsen, Chair, Board of Trustees

ATTEST:

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Betti Fujikado, Secretary, Board of Trustees

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Vice President Richard Van Den Hul

**DATE:** December 10, 2010

**SUBJECT:** **Motion to Adopt Resolution 2010-12 Authorizing Investment of Western Washington University Monies in the Local Government Investment Pool**

**PURPOSE:** Action Item

**Purpose of Submittal:**

Western Washington University currently invests funds in the Local Government Investment Pool by the State Treasurer. The State Treasurer now requires that participating governmental entities evidence authorization through adoption of a resolution by legislative or governing bodies in a format prescribed by the State Treasurer.

**Proposed Motion:**

MOVED, that Western Washington University may deposit funds from time to time in the Local Government Investment Pool for purposes of investment by the State Treasurer, and hereby adopts Resolution 2010-12, "Authorizing Investment of Western Washington University in the Local Government Investment Pool".

**Source of Funding:** State Appropriated – Operating

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 10, 2010

**SUBJECT:** **Update on Focused Interim Accreditation Evaluation**

**PURPOSE:** Informational Item

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**Purpose of Submittal:**

On October 21 and 21, 2010, Western Washington University hosted Dr. Alan Egger, a Northwest Commission on Colleges and Universities evaluator for a scheduled Focused Interim Evaluation site visit. Professor Egger was on campus to evaluate university progress in carrying out the four recommendations provided to us by NWCCU following our 2008 accreditation self-study evaluation.

The four recommendations are related to:

1. transparency and faculty participation in resource decisions;
2. assessment;
3. the Library's strategic plan; and
4. the University's committee structure.

We expect to receive the official findings and conclusion regarding our progress from the Commission shortly after the first of the year.



**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Steve Swan, V.P. for University Relations  
**DATE:** December 10, 2010  
**SUBJECT:** **Branding and Marketing Update**  
**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

Steve Swan, Vice President for University Relations, will give an update on Branding and Marketing.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Stephanie Bowers  
Vice President for University Advancement and  
Executive Director, WWU Foundation

**DATE:** December 10, 2010

**SUBJECT:** **Campaign Priorities**

**PURPOSE:** Discussion Item

---

**Purpose of Submittal:**

Provide an update to the Board on Campaign Priorities.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard, on behalf of Cyndie Shepard, Director, Compass 2 Campus

**DATE:** December 10, 2010

**SUBJECT:** **Compass 2 Campus**

**PURPOSE:** Discussion Item

---

**Purpose of Submittal:**

To provide the Board of Trustees an update of the university mentoring program, Compass 2 Campus.

**Supporting Information:**

Cyndie Shepard, Compass 2 Campus Director, and Shar Sarte Prince, Program Manager, will present an overview and update of this successful mentoring program. Two students Kelly Skillingstead and Madison MacDonald will provide two different perspectives, one from a lead student point of view and one from a mentor view.

Tim Yoemans, Superintendent of the Meridian School District, will join in the presentation.

**Supporting Information:**

Compass 2 Campus program information is attached.



## Compass 2 Campus General Information

The Compass 2 Campus program is a newly initiated university wide mentoring program on the Western Washington University campus. It is a replication of the Phuture Phoenix Program at the University of Wisconsin Green Bay which was created 8 years ago by current WWU president, Bruce Shepard's wife, Cyndie Shepard. The UWGB program has been successfully bringing 5<sup>th</sup> grade students to its campus every fall to connect them to university student mentors. This visionary program was conceived by Mrs. Shepard and one of UWGB's trustees, Virginia Riopelle, when they visited an inner city elementary school. While touring, Mrs. Shepard talked with a 5<sup>th</sup> grade boy who was being sent home for unruly behavior. She asked him, after a few minutes of conversation, what he wanted to be when he grew up. His reply, "I'll probably end up in prison like my dad!"

Cyndie was disturbed by this answer and asked the principal what she could do to help students such as this. The principal without hesitation said, "Role models...we need good role models and you have 5,000 of them at UWGB!" That afternoon, Shepard and Riopelle created the program on paper. From that afternoon the Phuture Phoenix Program took shape and has evolved over the last 8 years to become an award winning program bringing over 10,000 students to the university and following those students from 5<sup>th</sup> grade to 12<sup>th</sup> grade, encouraging them to graduate from high school and consider going to college.

After President and Mrs. Shepard came to Western Washington University, Cyndie was approached by the Higher Education Coordinating Council's educational pipeline committee to share her program here at Western as a pilot.

### WWU Mentorship Initiative

The Western Washington University Mentorship Initiative, **Compass 2 Campus**, is a pilot program implemented by HB 1986 which passed both Houses of the legislature on April 21, 2009. The program is designed to increase access to higher education by providing an opportunity for 5<sup>th</sup> through 12<sup>th</sup> grade students from traditionally underrepresented and disadvantaged backgrounds in Whatcom and Skagit counties to be mentored by university students. The main event of the program takes place in late October. For an entire day, Western students lead their 5<sup>th</sup> grade mentees on a tour of Western's campus, giving those students a chance to see a day in the life of a college student. This program provides leadership and mentorship skill development among university students while at the same time giving elementary students an introduction to the college experience.

The program has the following **objectives**:

- Increase GPA and reduce truancy among elementary students.
- Empower kids to make good choices about the future.
- Increase university student leadership and commitment to giving back to their community.

Our overall **goal** is to help more students graduate from high school and encourage them to consider some form of higher education.

**Program Description:**

A service learning class is offered so it becomes a real life learning experience for everyone involved. The structure of the class for fall quarter is below:

- First three weeks of the class: Students learn how to mentor, tutor and relate to underrepresented students in Whatcom and Skagit County.
- Fourth week of class: Western students travel to schools in Whatcom and Skagit counties to meet 5<sup>th</sup> graders.
- Fifth week of class: 5<sup>th</sup> graders come to campus, university students host campus tours.
- Week 6 to the end of the quarter: Students travel to their schools and tutor/mentor the elementary students .

**Districts/Schools Served to Date:**

- Bellingham School District: Alderwood Elementary, Shuksan Middle School
- Blaine School District: Blaine Elementary, Blaine Middle School
- Burlington-Edison School District: Lucille Umbarger Elementary
- Ferndale School District: Central Elementary
- Lummi Nation Schools: Lummi Nation School
- Lynden School District: Fisher Elementary
- Meridian School District: Ten Mile Creek Elementary, Meridian Middle School
- Mt. Vernon School District: Washington Elementary
- Nooksack School District: Everson Elementary, Nooksack Elementary, Sumas Elementary, Nooksack Middle School
- Sedro-Woolley School District-Mary Purcell Elementary

**Demographics:**

- 750 WWU Mentors in 2009 Approximately- 28,500 hours tutoring/mentoring in 2009-2010 school year
- 850 fifth graders received services in 2009
- 35 classrooms received assistance from WWU mentors
- 7 After School Programs received assistance from WWU mentors

**Funding**

The student program is entirely funded from private dollars from the community. It does not receive any money from S&A fees, or any university affiliated funding. Support personnel for the 2010-2011 school year have been funded from a start-up initiative through Woodring College of Education. Grants are currently being sought to further support the mentoring initiative. The director continues as a full time volunteer.

**For more information contact:**

Cyndie Shepard, Director  
[Cyndie.shepard@wwu.edu](mailto:Cyndie.shepard@wwu.edu)  
360-650-3093  
or

Shar Sarte Prince, Program Manager  
[Shar.Sarte.Prince@wwu.edu](mailto:Shar.Sarte.Prince@wwu.edu)  
360-650-4565

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 10, 2010

**SUBJECT:** **Space and University Facilities**  
Francis Halle, Director, Space Administration and Management  
Chris Cox, Dean, University Libraries

**PURPOSE:** Informational Item

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**Purpose of Submittal:**

Francis Halle, Director of Space Administration and Management, will explain how the university is able to consolidate its off campus operations, presently in leased space, onto the campus. He and Chris Cox, Dean of Libraries will also speak on recent initiatives concerning the use of the Wilson Library Reading Room.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Sherry Burkey, Associate Vice President for University Relations

**DATE:** December 10, 2010

**SUBJECT:** **Olympia Update**

**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

Sherry Burkey, Associate Vice President for University Relations will give an update on the 2011 legislative session.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** Phil Sharpe, Board Audit Committee Member  
**DATE:** December 10, 2010  
**SUBJECT:** **Audit Committee Report**  
**PURPOSE:** Information Item

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**Purpose of Submittal:**

To report to members of the Board of Trustees and President Shepard and his staff topics related to the Board Audit Committee.



**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Stephanie Bowers  
Vice President for University Advancement and  
Executive Director, WWU Foundation

**DATE:** December 10, 2010

**SUBJECT:** **Alumni Association Report**

**PURPOSE:** Information Item

---

**Purpose of Submittal:**

Provide an update to the Board on Alumni Relations activities.

**Supporting Information:**

**OFFICE OF ALUMNI RELATIONS**

**News**

The Western Alumni Association has entered into a partnership with Chuckanut Bay Foods, to create a custom Best of Western gourmet cheesecake featuring ingredients from Bellingham area dairies and farms. From every cheesecake purchased, \$5 goes directly to support WWU scholarships. Flavors include *Old Main Pumpkin Patch*, *Carver Carmel Apple*, *Haggard 'Hava Lotta' Chocolate* and *New York -- Bellingham style*. The Best of Western cheesecakes are offered through the Chuckanut Bay Foods and Alumni Association websites.

In partnership with University Facilities, the Western Alumni Association has launched a campus brick program to allow alumni, students, parents, staff and the greater University community to purchase a brick engraved with a personal message to be placed along memory walk in front of Old Main. Proceeds from the Western Campus Brick Program go directly to support students and alumni through scholarships and programming.

Enhancing the awards and recognition culture within the Alumni Association continues to be a priority. The 2010 Alumni Awards recipients were confirmed during the January 23rd Board of Directors meeting:

**2011 Alumni Award Celebration - May 14<sup>th</sup> Alumni Awards Celebration Dinner**

- **Lifetime Achievement Award** – Rick Anderson, Class of 1973 – BA in Accounting
- **Young Alumni of the Year Award** – Kelsey Heikoop, Class of 1997 – BS in Industrial Technology and Paul Van Metre, Class of 1996 – BS in Industrial Technology
- **Legacy Family of the Year** – 35 members of the Jones/May/Dickerson/Macmillan Family attended Western from the early 1900's-2004
- **Larry “Go Vikings!” Taylor Alumni Service Award** – Victor Cruz, Class of 1981 – BS in Industrial Technology and Kim Cruz, Class of 1981 – BA in Elementary Education

**Distinguished Alumni Awards:**

- **College of Business & Economics** – Dennis Organ, Class of 1973 – BA in Business Administration
- **Fairhaven College of Interdisciplinary Studies** – Carol Davis, Class of 1975 – BA in Interdisciplinary Studies
- **College of Fine & Performing Arts** – John Paul Olbrantz, Class of 1972 – BA in Art
- **College of Humanities & Social Sciences** – Karen Freeman, Class of 1978 – BA in German
- **Huxley College of the Environment** – Eric Dinerstein, Class of 1975 – BS in Ecosystems Analysis
- **College of Sciences & Technology** – William “Bill” Kindler, Class of 1965 – BS in Chemistry
- **Woodring College of Education** – Patricia Wasley, Class of 1973 – BA & MA in English

**Alumni Events** - Ongoing broad-based engagement opportunities that provide opportunities for alumni to engage with Western continue to be a focus.

**Recent Programs include:**

**Student Programming**

12/9 —Senior Celebration

**Broad-Based Alumni Programs**

10/29-11/4 - Alumni Campus Abroad - Tour of Italy  
10/1 & 10/2-Oktoberfest Cruise on Bellingham Bay  
10/13—Inside Perspective on College Admissions  
11/6—Wine Tasting in Woodinville  
11/13—Inside Perspective on College Admissions

**Upcoming Programs:**

**Student Programming**

12/11—Graduation  
3/17—Senior Celebration  
3/19—Graduation  
6/8-6/9—Senior Celebration  
6/10 – Outstanding Grad Ceremony  
6/11 - Graduation

**Broad-Based Alumni Programs**

1/18-Western Reads Video Streaming  
January TBD – Traveling Professor (Bellevue)  
1/29- Alumni Assoc Board of Directors Meeting  
2/9-Inside Perspective/College Admissions (Bellevue)  
2/9-Traveling Professor (Everett)  
5/12 & 13-Alumni Awards (Campus)  
5/14 & 15 – Back 2 Bellingham Weekend (Campus)  
7/14 – Grandparent’s U

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Vice President Eileen Coughlin  
**DATE:** December 10, 2010  
**SUBJECT:** **Auxiliary Capital Plan Update for University Residences**  
**PURPOSE:** Information Item

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**Purpose of Submittal:**

To provide the Board of Trustees with information regarding the capital plan for Western's housing and dining facilities.

**Supporting Information:**

Detailed information is attached.

## **Auxiliary Capital Plan Update for University Residences December 2010**

The last update to the Auxiliary Capital Plan for University Residences was presented to the Board of Trustees at its December 2007 meeting and a financing plan at the April 2009 meeting. In June 2009 the Board approved the bond sale for the new residence hall. Periodic updates on specific projects have been included as part of the Housing & Dining Mid-Year Report in February of each year.

The capital plan meets four goals:

- 1) Provide housing to support Western's current enrollment plan
- 2) Meet or exceed the Board of Trustees fiscal principles
- 3) Invest in infrastructure to ensure longevity, health and safety
- 4) Respond to the changing student needs and expectations

The supply of campus housing beds meets the current enrollment plan for the University. The new residence hall is expected to meet substantial completion in 2011. The building will have 105 new beds including accessible rooms, a retail dining café, a computer lab, laundry rooms, and enhanced bike parking. A residential program designed for the building features energy conservation, and other sustainable practices. Education programs are being planned in partnership with Fairhaven College and the Outdoor Center. A green-features guide was developed as a student project in a technical writing class.

Increased demand is anticipated for new out-of-state students and growth in matriculated international students. Returning student on-campus demand for double occupancy rooms is expected to remain flat. As new student enrollment increases, space available for Western students returning from off campus and for Whatcom Community College students may be limited. Current capacity can accommodate housing 150-200 additional new students.

The capital plan expenditures are scheduled to assure that performance standards are met for the Board of Trustees' principles established in 1993 and last revised February 2005. The principles cover operating fund balance, repair and replacement reserve, planned major maintenance, short- and long-term planning, adequate revenues, and consistent room occupancy. The Housing and Dining System can develop the capacity to bond an approximately \$14 million to construct additional beds if needed.

Projects in the plan invest in infrastructure to ensure longevity. The sprinkler projects will be completed by September 2015 and seismic upgrades by 2017. A building condition survey is scheduled over the next two years to identify future projects. Upgrades to hydronic heating systems in Ridgeway and Fairhaven are expected to be high priorities.

Projects in the plan provide enhancements to respond to the changing needs of students and remain competitive as students make enrollment choices. These projects include room and bathroom renovations, dining renovations, and window replacements.

Please find attached information on specific projects (Appendix A) and long-term projections and assumptions (Appendix B).

## Appendix A

### Project Descriptions FY 2011 to FY 2020, Estimates and Timing

(See attached chart, Planned Funding Sources of Projects, Appendix B)

#### **Seismic Upgrades**

Approximately \$700,000 of seismic upgrades is scheduled for Highland Hall Lounge, Ridgeway Beta and Gamma, Ridgeway Kappa, Nash Hall and the Commissary Warehouse. Most will be done in conjunction with sprinkler projects.

#### **Sprinklers**

Sprinkler installation project began in 2004, estimated at \$22 million. The attached chart reflects the plan to install sprinklers based on the August 2000 Residence Hall Fire Sprinkler Study by the Henry Klein Partnership. Sprinklers and alarms installation continues with Ridgeway Beta Phase One to begin June 2011. Additional buildings are scheduled out to 2015. The alarm standard has been modified to add voice annunciation capability to communicate with students more effectively during emergencies. The standard will be local until a centralized capability is added to the campus system. Project estimates are being reviewed and increased accordingly.

#### HOUSING CAPITAL PROJECTS

Sprinklers	Scheduled
Ridgeway Beta Phase 1	2011
Ridgeway Beta Phase 2	2012
Mathes Hall	2012
Ridgeway Alpha	2013
Edens North	2013
Nash Hall	2014
Ridgeway Kappa	2015

#### **Other Projects:**

**Data Switches and Wireless Access Points:** As part of the campus-wide data switch upgrades, University Residences has planned for \$2.4 million in switch upgrades and installation of wireless access points in every residential building. Planning and design begins in 2011 with the installation to be done in 2012-2013.

Fire alarm annunciators are being installed in conjunction with a campus project.

Funds have been set aside for a building condition survey to identify additional projects after FY 2017.

Edens Administrative Level is being redesigned to consolidate five service counters to one or two and to office the Restek staff who have been in remote locations for a number of years.

## Appendix B

### Long-Term Demand, Fiscal Projections, & Assumptions

- Demand projections & ability to manage system occupancy
  - Demand projections take into account freshman class sizes and projected Washington high school graduation rates peaking in 2013.
  - Current or slightly increased enrollment levels to 2013.
  - Birnam Wood occupancy numbers are stable and include some transfer students who would prefer to be in the Residence Halls.
  - In addition to using triples, campus returning students and Whatcom Community College students are housed on a space available basis. The number of super single rooms is also adjusted each year depending on demand.
  - The off campus leased apartments will be evaluated to reduce some or all from the housing inventory beginning with 2011.
  
- Residence Hall rental rate increases
  - Assumptions for residence hall rate increases have been kept conservative, especially in later years of the Capital Plan, with 10-year projections in the 4.5 – 5.0% percent range.
  
- Apartment rental rate increases
  - Local Bellingham apartment rental rates have not increased much in the last year or two. New apartments and condos have been built, and vacancy rates have risen. Demand for Birnam Wood double occupancy apartments remains strong.
  - Birnam Wood has potential as faculty housing, particularly for new faculty who are relocated over the summer and need short-term accommodations.
  
- General revenue & expense assumptions  
 Growth rates for both revenues and expenses assumed in the fiscal projections average 3.4%. The rate may increase to absorb construction costs if they begin to rise as the economy recovers and to absorb average annual increases to the Facilities Management Department recharge rate in excess of 3.4%.

Bond-Funded	Est. in Millions <sup>1</sup>	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
New Res Hall Beds (100) - Buchanan Towers Addition	\$ 13.9	Complete									
<b>Cash-Funded</b>											
Cash-Funded	Est. in Millions <sup>1</sup>	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Retail Food Platforms: Wilson Library and Miller Markets <sup>2</sup>	\$ 0.4										
Ridgeway Beta sprinklers, upgrade rooms	\$ 6.8										
Data Switches & Wireless Infrastructure	\$ 2.4										
Ridgeway Upgrades & Sprinklers <sup>3</sup>	\$ 13.2										
Seismic - Various Bldgs <sup>4</sup>	\$ 1.1										
Anticipated Infrastructure Upgrades	\$ 14.0										through FY21
Sprinklers - Various Buildings <sup>5</sup>	\$ 7.6					Through 2015					through FY21
Dining Commons Kitchen Renovations	\$ 15.5										through FY21
Other projects (Viking Union, smaller capital projects)	\$ 4.3										
<b>Total Cash-Funded</b>	<b>\$ 65.3</b>										

**Notes:**

(1) Project costs are escalated to future dollars.

(2) Miller project is in conjunction with Miller Renovation.

(3) Ridgeway upgrades will be completed building by building over time, and will include sprinklers, seismic, abatement, electrical, lighting and other upgrades.

(4) Seismic work already completed from 1995-2009 exceeds \$2.5 million. Remaining work is in Highland Lounge and Commissary Warehouse.

(5) Buchanan Towers finished 2011. Remainder are: Edens N, Matres, Nash. Remaining Ridgeway sprinkling is included in separate major capital projects for those buildings. All Highland Hall rooms have ground level access and will not be sprinkled.

## WESTERN WASHINGTON UNIVERSITY

### Capital Program Report

Board of Trustees  
December 10, 2010

#### **MAJOR CAPITAL PROJECTS**

- **Miller Hall Renovation**

Phase 2 of the Miller Hall Renovation is underway. The University vacated all of the spaces within the 1940's wing of Miller Hall and demolition began in mid-September. Demolition of the interior finishes in the upper floors and north wing should be complete by early December. Demolition in the basement will be ongoing until mid to late January. The two concrete stair towers formerly serving the two wings of the building have been removed in anticipation of work beginning on the new elevators. The collaboration space located within the existing courtyard received its "green roof" in mid-November with the balance of the work in the collaboration space is to be complete by January. The project is still on track for LEED silver status. Substantial completion of Phase 2 is scheduled to occur during Fall quarter 2011.

- **Buchanan Towers Addition**

The project contractor has not achieved Substantial Completion by the contract date of August 16, 2010. The University continues to work with the Architect team and the Contractor to complete the work as quickly as possible.

#### **OTHER CAPITAL ITEMS AND PROJECTS OF INTEREST**

- **Block Adjacent to Physical Plant Rezone and Street Vacations**

Since early this year, the University has been going through the process with the City of Bellingham of concurrently rezoning the block west of the Physical Plant from Multi-Family to Institutional and vacating the alley and 26<sup>th</sup> Street. The rezoning has been approved by the Planning Commission and the City Council. The street and alley vacations have been approved by the Hearing Examiner. Currently, the University is in negotiations with City staff regarding the valuation of the vacations. It is anticipated that recommendations on the street vacations will come before the City Council around the end of the calendar year. Final approval of all comprehensive plan amendments for the City (including our rezone) are done as a single ordinance also around the end of the calendar year.

- **2011-13 Capital Planning Process**

In early September, the university submitted its 2011-2021 Capital Plan and 2011-2013 Capital Budget Request to the Office of Financial Management (OFM) and the Higher Education Coordinating Board (HECB). Western's projects rated quite well in the OFM list process. The HECB's approach was to allocate funds across the universities which resulted in two of Western's projects dropping down in the list of priorities. However, the HECB did recommend that the legislature fund all projects. The Governor's budget proposal is to be transmitted to the legislature by December 20, 2010. More information will be presented in the February 2011 report.

For more information about the major projects, please visit our Facilities Management website at <http://www.wvu.edu/depts/fm/Services/FDCA/index.html>.

For more information about the Capital Program and the 2011-13 Capital Planning Process see <http://www.wvu.edu/wwuarchitect/>.

For more information about the 2011-2013 Capital Budget Request and proposals see <http://www.wvu.edu/depts/capitalb/index.shtml>



**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Stephanie Bowers  
Vice President for University Advancement and  
Executive Director, WWU Foundation

**DATE:** December 10, 2010

**SUBJECT:** **Development Report**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

Provide an update to the Board on Western Washington University Foundation activities.

**Supporting Information:**

Report attached

## **OFFICE OF DEVELOPMENT**

The campaign feasibility study is being conducted in two phases. Personal visits by the President, Vice Presidents, Deans and Board Members with key interested parties are taking place between now and mid-February and during those meetings, the next iteration of a prospectus will be discussed. In those discussions, feedback will be collected for use in the final version. In late February and March, The Collins Group will conduct the feasibility study with results expected back in late Spring.

Sue Washburn, a fundraising consultant with Washburn & McGoldrick, spent three days on campus in October working with deans, staff and volunteers on campaign planning.

The Foundation, along with Bellingham Technical College and Whatcom Community College, co-sponsored two seminars in Bellingham to help educate people on estate planning. Each session was sold out and had waiting lists.

The 10<sup>th</sup> annual Bellingham Business Forum was held November 18 at the Hotel Bellwether with Jim Donald, President and CEO of Haggen Inc. and former President and CEO of Starbucks, as the keynote speaker. More than 300 people attended and the event raised nearly \$20,000 for student scholarships.

## **Gifts of Note**

A gift of \$12,000 from the Plastics Education Consortium to support the Ivy Roth Plastics Scholarship Fund.

An annual gift of \$25,000 from Sodexo to support scholarships.

\$320,000 from the Earl Settlemeyer Trust to support College of Business and Economics, College of Fine and Performing Arts and Woodring College of Education.

A gift in excess of \$200,000 from the Margaret Klingemann Living Trust designated to the Campus Enrichment Fund.

\$90,000 from Mt. Baker Imaging to support the Critical Junctures Institute.

A gift of \$62,500 from Frank and Mary King for athletic scholarships.

\$25,000 from Kimberly Clark in support of Shannon Point Marine Center

## **Upcoming Events**

Late February/early March – Annual lunches to introduce scholarship donors and recipients.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Vice President Eileen Coughlin

**DATE:** December 10, 2010

**SUBJECT: Enrollment and Admissions Summary**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

To provide a general update on enrollment and admissions

**December 2010 Enrollment and Admissions Report**

Prepared by Karen Copetas, Director of Admissions and Enrollment Planning

With a record 14,979 students enrolled in Fall 2010, enrollment of new freshmen and transfers for Winter 2011 has been reduced by 25% (from 300 new students to 225) in order to maximize course availability for continuing students. Enrollment of new transfers for Spring will be determined after Winter enrollment is final in January.

Although all public baccalaureate institutions in Washington reported record enrollment for Fall 2010, many are discussing possible reductions for 2011 – 2012 enrollments unless the statewide budget scenario improves.

The application cycle for Fall 2011 freshmen has begun. While very early in the process, applications currently show an increase of 3% in overall applications and 5% in non-resident applications. With a decrease in graduates from Washington high schools, the Office of Admissions anticipates a drop in resident applications.

An institutional Enrollment Planning Group has been formed to explore issues and provide recommendations related to short- and long-term institutional growth, distribution of students, and changing demographics. The group is co-chaired by Dan Guyette, Dean of CFPA, and Karen Copetas, Director Admissions and Enrollment Planning.

# WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 10, 2010

**SUBJECT:** Quarterly Academic Program Report

**PURPOSE:** Informational Item

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## **Purpose of Submittal:**

This short report is one of a series of regular updates intended to provide the Board of Trustees as an overview of activities within the Academic Affairs division.

This report describes the work of Western's Office of Survey Research (OSR) and provides samples of recent survey findings.

## **Introduction**

The Office of Survey Research (OSR) administers several annual surveys including

- A Freshman baseline survey
- A Sophomore Survey
- A Senior Exit Survey
- An Alumni Survey

Under the leadership of Professor John Krieg, Director of OSR, the office has made the surveys more consistent and useful. OSR has also reduced duplication and the use of for-profit surveys. Previously, most departments surveyed their own graduates; OSR now provides this service. Similarly, OSR was able to embed survey questions from Transportation Services into its Sophomore survey, replacing an external survey that previously cost that office \$10,000.00. More recently, OSR completed the Alumni Office's massive survey of 90,000 graduates. Notably, over the five months in which alumni were surveyed, donations from alumni doubled. Apparently, being surveyed about one's experience at Western provides motivation to support the university.

Recent findings from OSR Surveys including the following:

- 85% of undergraduate students would attend Western again if they could repeat their undergraduate college choice.
- 72% of graduate students would attend Western again if they could repeat their graduate college choice.
- 88% of undergraduates were either satisfied or very satisfied with their experience at Western.

- 70% of undergraduate students report that they graduate in less time or about the amount of time that they expected to when first enrolled. Of those who were delayed, the most common reason was that they took classes that didn't count toward their degree requirements or they were uncertain about their major.
- 42% of undergraduate students collaborated with a professor on a project outside of course requirements.
- The median amount of debt owed from undergraduates attending Western upon graduation is \$3,500.
- The average debt accumulated while in a Western graduate program is almost \$14,000 but about one-third of students accumulate no debt at all.
- The most common colleges that Western undergraduates apply to are: the University of Washington (35% of incoming freshmen), Washington State (25%), Central Washington (9%) and the University of Oregon (9%).
- The most common colleges that Western undergraduates are accepted to include the University of Washington (13%), Washington State (23%), Central Washington (8%), and the University of Oregon (8%).
- Of all the schools to which they were accepted, 86.3% indicated WWU was their first choice.
- 11% of students expressed some level of dissatisfaction with their initial course schedule.
- On average, freshmen hope to work 11.8 hours per week during their first year on campus.
- 31% of incoming freshmen expect to take more than four years to graduate from WWU.
- 13% indicate a positive probability that they would transfer from WWU to another institution prior to graduating.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Vice President Eileen Coughlin

**DATE:** December 10, 2010

**SUBJECT:** **Student Right-to-Know and Clery Act**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

Provide the Board with information regarding Western Washington University's compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

**Western Washington University  
Security and Fire Safety Report Update**

**December 2010**

Background: In November 1990, the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (often referred to as the "Clery Act") was signed into law. As a result, all institutions participating in federal student aid programs are required to:

- Prepare and distribute – to all members of the campus community – an annual security report (<http://www.wvu.edu/vpsa/Documents/2010-11%20Annual%20Security%20and%20Fire%20Safety%20Report.pdf>) which sets forth the law enforcement authority of campus police, includes information on where/how crimes should be reported, and discloses three years worth of crime statistics, arrests and disciplinary referrals for the campus, areas immediately adjacent to or running through the campus, and certain non-campus facilities including leased housing and remote classrooms; and
- Provide timely warning to the campus community of crimes which may be considered to pose a threat to the safety and/or welfare of students and employees.

New Reporting Requirements: In August 2008, the Higher Education Opportunity Act was signed into law. It added two new requirements of note:

- All institutions with on-campus housing must establish a missing student notification policy and procedure for students who reside in on-campus housing. If, after an investigation by campus security officials, a student is determined to

have been missing for 24 hours, the institution must notify the students' designated emergency contact.

- All institutions with on-campus housing must publish an annual fire safety report which provides statistics for each residence hall. The report – which is to be distributed to all members of the campus community – must detail such information as the number of fires, fire-related injuries and deaths, fire-related property damage, type of fire detection systems in each building, and fire safety measures.

Security and Fire Safety Report: All information that must be distributed annually to the campus community under state and/or federal mandates is compiled into one publication, the *Security and Fire Safety Report*. Published each fall, the report includes educational materials, policies and an annual summary of campus crime and residence hall fire statistics.

- The Clery Act specifies the crimes and violations that are to be published. These are reflected in the 2010-2011 *Security and Fire Safety Report*, on pages 13 and 14.

Campus Security Authorities: Staff members who have “significant responsibility for student and campus activities” are required to document any Clery Act crime reported to them for inclusion in the campus crime statistics. Western has identified 52 staff members whose positions fall under the Department of Education’s definition of campus security authorities (CSAs). Reports completed by CSAs are forwarded to University Police for follow-up and verification.

Campus Sex Crimes Prevention Act: Effective October 2003, all colleges and universities receiving federal funds are required to issue an annual statement informing members of the campus community where law enforcement agency information about registered sex offenders may be obtained. This information is included in the 2010-2011 report, on page 8.

Notable Changes in Crime Statistics in 2009:

- In 2009, arrests for liquor law violations continued to decrease (from 61 to 41), while arrests for drug-related violations held steady. Disciplinary referrals for liquor law violations decreased, from 401 in 2008 to 340 in 2009. Similarly, disciplinary referrals for drug-related violations decreased, from 268 in 2008 to 133 in 2009.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Steve Swan, V.P. for University Relations  
**DATE:** December 10, 2010  
**SUBJECT:** **University Relations Report**  
**PURPOSE:** Information Item

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**Purpose of Submittal:**

A written report is provided on the recent activities of University Relations.

**Supporting Information:**

Report Attached



**WESTERN WASHINGTON UNIVERSITY  
OFFICE OF THE VICE PRESIDENT FOR UNIVERSITY RELATIONS**

**REPORT FROM THE VICE PRESIDENT TO THE BOARD OF TRUSTEES**

**Government Relations**

The 2011 State Legislative Session begins on January 10, 2011.

With the 2010 election over, House and Senate Democrats and Republicans are reorganizing and electing leaders and appointing Chairs and members of the Legislative Committees. The Democrats retained control over the State House and Senate although their majorities in both Houses are somewhat smaller. There are also approximately 25 new members. As soon as all the positions are finalized we will get you lists of the makeup of House and Senate Leadership and Committees.

December 6 through 10, the House and Senate Legislative Committees will be meeting for Legislative Assembly Days in Olympia. During this time the policy and fiscal committee will meet and be brought up to date on the fiscal situation and budget outlook for the remainder of the current fiscal year and the 2011-13 biennium. They will also give us a glimpse of issues that will be of interest to them in the upcoming legislative session. There is some chance that a special session of the legislature will be called during that week to deal with the growing budget deficit in the current fiscal year.

President Shepard, along with the Presidents of the other four year institutions presented their university's budgets to the HECB in Spokane on October 20<sup>th</sup>. Bruce has also been working with the Governor's Task Force on Higher Education Financing. The Task Force will be presenting their recommendation for Higher Education financing sometime in the next month. Bruce and the other Presidents are planning editorial board visits and Bruce did an interview on TVW on Thursday December 2<sup>nd</sup> focused on the upcoming legislative session.

Western continues to expand its efforts in creating an advocacy network of alums, parents, and friends of WWU. In addition, the administration, student leadership, union leadership, and faculty leadership have been meeting weekly to coordinate and plan approaches to the upcoming legislative session.

The University is also actively engaged in planning its 2011 Federal agenda. With the significant change in power in Washington, D.C., the message we are receiving from our state Congressional delegation is that there will be significantly less funding available through the appropriation process. Nonetheless, Senators Patty Murray and Maria Cantwell continue to be a part of the majority party in the Senate and thus be influential in their respective committee work. However, the failure of the Democrats to retain their majority in the House likely cost the state a potential power broker in the position of chairperson of the House Appropriations Committee where Congressman Norm Dicks was in line for that position.

**OFFICE OF UNIVERSITY COMMUNICATIONS**

**Window magazine** just went to the homes of alumni and donors, as well as distribution on campus. There are copies for you in your packet. Be sure to check out Window's website, [www.wwu.edu/window](http://www.wwu.edu/window), which includes links to videos, photos and online-only stories.

We're also preparing the next edition of the **Soundings newsletter**. After more than a year publishing the quarterly family newsletter online, we have better information now about what families are most interested in reading. Our office also continues its efforts upgrading and updating the university's **Facebook, Twitter, YouTube** and other social media sites. Development also continues on an online database of the combined research areas of WWU's entire faculty. **Query** allows users to search by faculty name, department, or research subject area. To access Query, go to [Welcome to Query](#). Production on this marketing tool began last summer and addresses an important issue that Trustee Munro raised at the October board meeting about publicizing the accomplishments of Western's outstanding faculty.

### **Emergency Communications**

University Communications sent out a number of **Western Alert emergency messages** and updates to students, faculty and staff as well as to parents during fall quarter. Those messages related to: the disappearance and subsequent death of WWU student Dwight Clark; two armed robberies of WWU students on the same day near campus, and severe flooding of Old Main that required numerous office relocations. There also was heavy related media coverage and our office responded to many media inquiries.

### **Media Highlights**

Outstanding stories that brought strong media attention to Western included:

- Coverage of the appointment of **new WWU Trustee Dick Thompson**.
- Numerous interviews – including with the **Seattle Times, AP** and many other media outlets – with WWU political scientist **Todd Donovan** before the November election on the initiatives on the ballot.
- An opinion piece Nov. 25 in the **Seattle Times** by **Don Alper**, director of WWU Canadian-American Studies, on the importance of Canada to the U.S.
- A front-page story with color photo in the **Skagit Valley Herald on Compass 2 Campus**, Western's innovative mentoring program.
- A story in the **Snohomish County Business Journal** on Western's participation in the recently formed **Northwest Higher Education Coalition**, a group working together to increase higher education opportunities in northwestern Washington.

### **UNIVERSITY RELATIONS**

Significant work continues on the development of Western's Brand. A new logo has been selected and work is ongoing on the development of a Brand Strategy Guide as well as a Graphic Design Guide. A roll out of the new Brand Personality is planned for late January to capitalize on the regional televising of three Western basketball games by Fox Sports and for inclusion in a new Western television show which is planned to debut in February on KVOS-TV in Bellingham.

The reconstruction of the Western Website has also begun with a working committee of technical and design professionals from various campus entities now meeting on a regular basis. The project will create a new internet and an intranet with focus architecture and graphic redesign. The project will be completed by September 1, 2011.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Vice President Eileen Coughlin

**DATE:** December 10, 2010

**SUBJECT: Veterans' Activities**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

To provide an update to the Board on progress in serving veterans on Western's campus.

**Supporting Information:**

**Partnership Certificate:** On November 15, 2010, President Bruce Shepard completed a partnership certificate with the WA State Dept of Veteran Affairs, a follow-up and individualized commitment beyond the COP's signature WWU contributed to in 2009. This certificate extends and individualizes Western's commitment to veterans on our campus, pledging to support veterans and their families by providing support services and referrals to help veterans achieve their higher education goals.

**Veterans Day at Western:** Students, faculty and staff, and community members attended a Veterans Day Ceremony on Wednesday, Nov. 10, in Western's Viking Union Multipurpose Room. Featured speakers included President Bruce Shepard, WWU student and WWU Vet Corps Navigator Christopher Brown; WWU Student and Western's Veterans Community President Jordan Linayao; and Doris Kent, former WWU employee and gold-star mother of the late Cpl. Jonathan Santos. This was the best-attended Veterans Day event at Western in recent years.

A week of events followed the Veterans Day event and included a day-long seminar by Dr. Peter Schmidt, a dean at Edmonds Community College and consultant for the Department of Veterans Affairs. Dr. Schmidt moderated a panel discussion that included several of Western's student veterans. A brown-bag lunch also was held that week to discuss a presentation by Harold Kudler, MD, from Duke University, titled "Veterans on Campus: Lessons Learned and Questions for the Future."

**Veterans Office:** The Veterans Office moved to a new location in Old Main 365, tripling the square footage available for program support and veteran services. This allows veterans to have the space necessary to network and for staff to better fulfill their important role of assisting our service men and women and their families. Staff include WWU's Benefit Certifying Official, two work-study students, and WWU's Vet Corps

Navigator. (WWU has committed to a two year arrangement with Vet Corps to house and provide outreach support for veterans and develop community programming.) Vet Corps, in partnership with Western's Veteran Community and the AS Veteran Outreach Center, is currently holding a food drive for local veterans to ensure that none go hungry during the upcoming holiday season.

***Veteran Safe Zone:*** Veteran Safe Zone (VSZ) is a campus-wide program to show support and recognition for students who have served (or are currently serving) in the military. In order to be a participant in the program, professionals at WWU choose to commit to ongoing education about veteran's issues in addition to opening up their office, or offer their time, to a student veteran that may want to talk. VSZ participants expanded to 123 faculty and staff members at the beginning of Fall 2010.

***Tuition Waivers:*** Tuition waiver funds have been awarded this year to support those veterans who are nearing the completion of their degrees but are running out of their veteran benefits. (*Note: as predicted, Chapter 33 benefits run for 36 months only and are more likely to run out before veterans finish baccalaureate degree programs*).

***Upcoming Events:*** In February, Western will host a webinar for certifying officials and other interested parties from the Northwest Higher Education Coalition schools on orientation programs for veterans. Assisting veterans with the transition to college or back into college is an essential element in creating a veteran-friendly campus. Research also points to the need for thinking through how to introduce or re-introduce veterans to campus due to their unique student profile.

**FINANCIAL STATEMENTS**  
**AND**  
**REQUIRED SUPPLEMENTAL**  
**INFORMATION**

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November 17, 2010

Dennis Madsen, Chair  
Board of Trustees  
Western Washington University  
Bellingham, WA 98225

Dear Mr. Madsen:

We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of the University are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KPMG LLP, Certified Public Accountants, have issued an unqualified (clean) opinion on the Western Washington University financial statements for the year ended June 30, 2010. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. Western Washington University is recognized nationwide as a premier public comprehensive university. Western Washington University is the highest-ranking public, master's-granting university in the Pacific Northwest, according to the 2011 U.S. News & World Report college rankings. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand", factors which will continue to help it weather the current economic challenges.

Sincerely,



Bruce Shepard  
President



Richard Van Den Hul  
Vice President for Business and Financial Affairs

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\* As of Independent Auditors' report date there are two vacancies on the Board of Trustees. The University is waiting on the appointment to the Board of Trustees by the Governor.



**Overview of the Financial Statements and Financial Analysis**

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (the University) for the years ended June 30, 2010 and 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Reporting Entity**

The University is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. One of the members is a full time student of the University. The University was established in 1893 and currently has approximately 14,000 full time and part time students.

Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities.

**Using the Financial Statements**

The University's financial reports include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements include all funds.

**Statements of Net Assets**

The Statements of Net Assets present the financial condition of the University at the end of the last three fiscal years and report all assets and liabilities of the University.

A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2010, 2009 and 2008, follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(Dollars in thousands)</i>		
<b>Assets</b>			
Current assets	\$ 81,794	\$ 80,418	\$ 83,765
Noncurrent assets	34,627	37,433	18,042
Land	12,773	12,773	12,773
Capital assets, net	<u>400,427</u>	<u>371,570</u>	<u>357,619</u>
Total assets	<u>529,621</u>	<u>502,194</u>	<u>472,199</u>
<b>Liabilities</b>			
Current liabilities	36,046	29,881	33,189
Noncurrent liabilities	<u>83,786</u>	<u>86,016</u>	<u>73,648</u>
Total liabilities	<u>119,832</u>	<u>115,897</u>	<u>106,837</u>
<b>Total net assets</b>	<u><u>\$ 409,789</u></u>	<u><u>\$ 386,297</u></u>	<u><u>\$ 365,362</u></u>

**Assets**

Current assets consist primarily of cash and cash equivalents, short term investments, funds held with the State Treasurer, and accounts receivable from students. The \$1.4 million (1.7%) increase in total current assets during fiscal 2010 compared to fiscal 2009 is attributable to holding increased cash and cash equivalents in response to the historically low interest rate environment and an increase in funds held by the Office of the State Treasurer. Current assets decreased by a net \$3.3 million (-4.0%) comparing fiscal 2009 to fiscal 2008 primarily due to larger holdings of cash and cash equivalents (\$8.0 million), a decrease in the short term investments (\$9.9 million) and decreases in interest receivable and accounts receivable (\$1.3 million) as a result of more timely payment of tuition and fee charges.

Noncurrent assets (excluding land and capital assets) decreased \$2.8 million (-7.5%) in fiscal 2010, primarily due to spending 57.7% of the \$14.3 million in Housing and Dining System revenue bonds issued in 2009 (noncurrent restricted cash and cash equivalents) offset by a \$5.1 million (186.2%) increase in the amounts due from the State Treasurer to cover expenditures on the Miller Hall renovation. Noncurrent assets (excluding land and capital assets) increased \$19.4 million (107.5%) in fiscal 2009 over fiscal 2008, as the \$14.3 million Housing and Dining System revenue bonds to renovate the Buchanan Towers residence were issued in June, 2009. The remaining variance is due to the increase in long term investments by \$7.3 million (189.3%) coupled with a decrease in the amount due from the State Treasurer by \$2.2 million (-44.0%), as fewer invoices related to capital projects were in progress at fiscal 2009 year end with the completion of the AIC building.

Growth in net assets over the last three fiscal years is due to the continuation of the University's capital program. Capital assets grew by \$28.9 million (7.8%) comparing fiscal 2010 to fiscal 2009, primarily due to the capitalization of work performed on the Miller Hall renovation and the Buchanan Towers remodel. Capital assets increased \$14.0 million (3.9%) over fiscal 2008 due to the completion of the Academic Instructional Center (AIC) which opened for classes in January 2009.

**Liabilities**

The excess of current assets over current liabilities of \$45.7 million in fiscal 2010 and \$50.5 million in fiscal 2009 reflects the continuing ability of the University to meet its short term obligations with liquid or easily liquidated assets. Current liabilities increased \$6.2 million (20.6%) comparing fiscal 2010 to fiscal 2009 related to higher invoices at year end in construction project activity, including the Miller Hall renovation (\$3.2 million) and the Buchanan Towers renovation (\$1.8 million). Current liabilities decreased \$3.3 million (-10.0%) from fiscal 2008 as outstanding accounts payable invoices declined at fiscal year-end primarily due to the completion of the AIC building. Deferred revenues increased \$698 thousand (14.8 %) comparing fiscal 2010 to fiscal 2009 due to an increase of 14.0% in undergraduate summer tuition rates, an increase in summer 2010 enrollment of over 1,000 students and an increase in summer 2010 faculty led travel courses that carry higher fees. This category decreased \$336 thousand (-6.7%) comparing fiscal 2009 to fiscal 2008 due to lower enrollments in Extended Education and Summer Programs. The current portion of bonds and notes payable increased \$411 thousand (13.4%) comparing fiscal 2010 to fiscal 2009 as principal payments are due on the 2009 Housing and Dining bond issue during fiscal 2011. This category increased slightly by \$112 thousand (3.8%) comparing fiscal 2009 to fiscal 2008 due to the addition of two State Certificates of Participation to fund equipment purchases in Athletics and Administrative Computing Services.

Long term liabilities decreased by \$2.2 million (-2.6%) comparing fiscal 2010 to fiscal 2009 due to the retirement of \$3.2 million in bonds and notes payable, offset by an increase of \$923 thousand to the unfunded net pension obligation to certain state employees based on the State Actuarial valuation of the plan. Long term liabilities increased \$12.4 million (16.8%) over fiscal 2008 due to the issuance of \$14.3 million in revenue bonds by the Housing and Dining System to remodel the Buchanan Towers residence facility and an increase of \$866 thousand in the net pension obligation due to an updated State actuarial valuation. These increases are partially offset by principal payments on outstanding debt.

**Net Assets**

The difference between total assets and total liabilities is net assets, or equity. The change in net assets measures whether the overall financial condition has improved or deteriorated during the year. Net assets are reported in the following categories:

*Invested in Capital Assets (net of related debt)* – The University's total investments in property, plant equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

**Restricted Net Assets:**

- Nonexpendable net assets consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- Expendable net assets are resources which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.

*Unrestricted Net Assets* – All remaining funds available to the institution for any purpose, although these net assets are often internally designated for specific purposes.

The University's net assets as of June 30, 2010, 2009 and 2008 are summarized as follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(Dollars in thousands)</i>		
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 336,630	\$ 312,263	\$ 294,757
Restricted:			
Nonexpendable	4,623	4,149	4,254
Expendable	26,321	23,683	23,794
Unrestricted	<u>42,215</u>	<u>46,202</u>	<u>42,557</u>
Total net assets	<u>\$ 409,789</u>	<u>\$ 386,297</u>	<u>\$ 365,362</u>

Invested in capital assets, net of related debt increased \$24.4 million (7.8%) comparing fiscal 2010 to fiscal 2009 primarily due to the increase in Construction in Progress for the Miller Hall and Buchanan Towers renovations, offset by the change in long term debt. Net investment in capital assets increased \$17.5 million (5.9%) over fiscal 2008 primarily due to the final costs incurred to complete the AIC building and the Ridgeway Gamma residence facility renovation.

Restricted nonexpendable net assets include donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. During fiscal 2010, \$50 thousand was received to establish a new graduate fellowship compared to the receipt of \$550 thousand during fiscal 2009. When combined with investment gains, the net increase in restricted nonexpendable net assets was \$474 thousand (11.4%) compared to a net decrease of \$105 thousand (-2.5%) during fiscal 2009 due to investment losses.

Restricted expendable net assets increased \$2.6 million (11.1 %) comparing fiscal 2010 to fiscal 2009 due to an increase in funds held by the State Treasurer. The State Permanent Fund represents the University's share of net earnings of the Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects. In addition, reserves were set aside for renewals and replacements in the Housing and Dining System and the Wade King Student Recreation Center as required by bond covenants. When comparing fiscal 2009 to fiscal 2008, there was decrease of \$111 thousand (-0.5%) due increases in grant and student loan funds offset by unamortized bond costs for the 2009 Housing & Dining bond issue.

Unrestricted net assets decreased by \$4.0 million (-8.6%) in fiscal 2010, compared to an increase of \$3.6 million (8.6%) in fiscal 2009 over fiscal 2008. The fiscal 2010 decrease is attributable to using unrestricted reserve funds to compensate for reduced state appropriations. The increase in fiscal 2009 is a result of strong performance by the University's auxiliary enterprises which added to their reserves, support for new programs from the State, tuition increases and higher enrollment figures.

**Capital Improvements and Related Debt**

During fiscals 2010 and 2009, \$40.1 million and \$21.7 million (excluding library materials and equipment) were expended on capital improvements, compared to \$48.7 million in fiscal 2008. Of the \$40.1 million in capital improvements, \$18.2 million was expended on the Miller Hall building remodel, \$9.3 million on the Buchanan Towers renovation, \$3.9 million on the Chemistry Building addition, \$1.2 million on the Fairhaven Fire Sprinkler project, and \$972 thousand on the Haggard Hall/Wilson Library renovation. In fiscal 2009, \$21.7 million (excluding library materials and equipment) was expended on capital improvements; \$5.4 million was expended on the completions of the AIC building, \$5.7 million on projects by the Housing and Dining System and \$4.2 million on the Miller Hall building remodel.

Specific projects completed or underway in fiscal 2010 include:

**Miller Hall Renovation.** Due to the historical significance and its prominent location in the heart of campus, Miller Hall was selected to undergo a major renovation beginning in the 2009-2011 biennium. The project will provide general University classrooms, computer labs, instructional space, and support facilities for the Woodring College of Education and the Department of Modern and Classical Languages.

**Chemistry Building Addition.** The addition of 4,300 square feet will provide additional chemistry and biology research and instructional space recognizing the collaborative nature of chemistry and biology research. Construction began in June 2009 with substantial completion scheduled for fiscal 2011.

**Haggard Hall/Wilson Library Renovation.** This project consolidates all offices under Academic Technology User Services (ATUS) into updated facilities in Haggard Hall. ATUS Multimedia and Web Development and Video Services staff will join other ATUS functions that moved into Haggard Hall last year during Phase 1. Phase 2 also includes a video production studio and video recording rooms. Substantial completion is scheduled for early August 2010.

In fiscal 2009, total long term debt for financing capital assets increased by \$11.5 million (15.8%) to \$84.2 million. The increase includes a \$14.3 million dollar revenue bond issue by the Housing and Dining System in June 2009. The bond issue will fund a remodel of the Buchanan Towers residence facility on campus and the addition of 105 beds.

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statements of Revenues, Expenses and Changes in Net Assets present the University's results of operations and nonoperating items that result in the changes in net assets for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

A condensed comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2010, 2009 and 2008 follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(Dollars in thousands)</i>		
Operating revenues	\$ 153,268	\$ 148,913	\$ 143,282
Operating expenses	<u>237,689</u>	<u>232,561</u>	<u>226,464</u>
Operating loss	(84,421)	(83,648)	(83,182)
State appropriations revenue	64,621	78,535	75,418
Other nonoperating revenues	15,774	12,566	12,787
Nonoperating expenses	<u>(4,156)</u>	<u>(4,470)</u>	<u>(4,276)</u>
(Loss) income before other revenues	(8,182)	2,983	747
Other revenues	<u>31,674</u>	<u>17,952</u>	<u>46,985</u>
Increase in net assets	23,492	20,935	47,732
Net assets, beginning of year	<u>386,297</u>	<u>365,362</u>	<u>317,630</u>
Net assets, end of year	<u>\$ 409,789</u>	<u>\$ 386,297</u>	<u>\$ 365,362</u>

**Primary Funding Sources**

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support operations. Tuition revenue, net of scholarship allowances, has continued to grow, increasing \$6.1 million (8.3%) and \$4.6 million (6.6%) in fiscal 2010 and fiscal 2009, respectively.

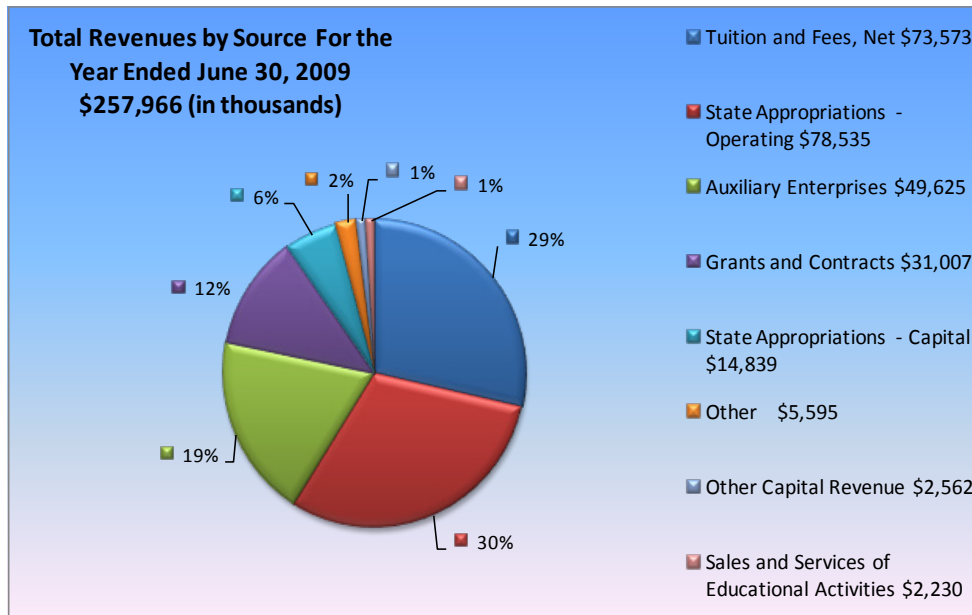
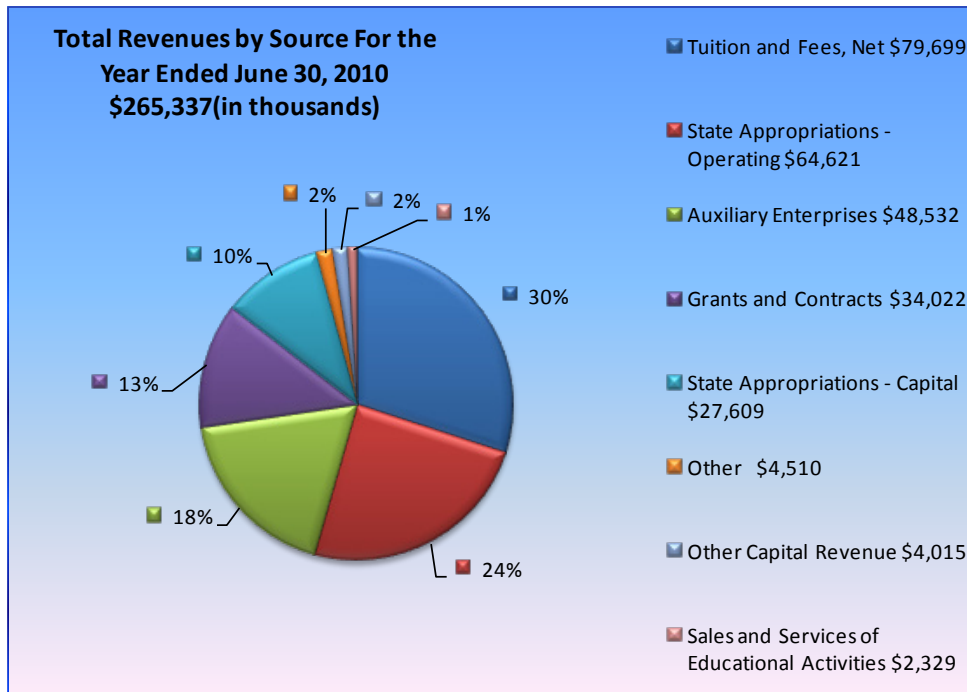
The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The University is free to set tuition at any level in the latter three categories; the Legislature retains the authority to cap undergraduate resident tuition increases. Tuition increased 14.0% during fiscal 2010 compared to an increase of 5.0% during both fiscal 2009 and fiscal 2008, with enrollment increasing to an average annual headcount of 13,300 in fiscal 2010, compared to 13,240 students in fiscal 2009 and 13,006 in fiscal 2008.

During fiscal 2010, state appropriations used for operations declined by \$13.9 million (-17.7 %) compared to an increase of \$3.1 million (4.1%) in fiscal 2009. The majority of the decrease in fiscal 2010 state appropriations is due to budget challenges at the state level that resulted in a decrease in state funding of \$12.6 million combined with a decrease from the prior year of \$1.3 million in capital appropriation funds that are used to support operations as these expenditures are below the University's capitalization threshold. The appropriation increase in fiscal 2009 includes State support for an additional 153 full-time equivalent (FTE) student enrollments. The University's state supported enrollments (FTE) are 11,373 for fiscal 2010; actual average FTE was 12,475, these additional FTE are not supported by State dollars.

Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and the University is entitled to receive the cash. This revenue source increased \$12.8 million (86.1%) during fiscal 2010 compared to fiscal 2009 primarily due to funds received to fund the Miller Hall renovation. The decrease of \$29.4 million (-66.5%) in fiscal 2009 over fiscal 2008 relates to the completion of the AIC building, for which cash had been drawn and recognized as revenue in fiscal 2008. No significant new projects were started during fiscal 2009.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund. The increase of \$1.5 million (56.7%) in fiscal 2010 compared to fiscal 2009 is due to additional funds held by the State Treasurer in the Normal School Permanent Fund. When comparing fiscal 2009 to fiscal 2008, the decrease of \$144 thousand (-5.3%) is due to reduced investment earnings from the State Treasurer.

The following graphs illustrate revenues by source for the years ended June 30, 2010 and 2009:

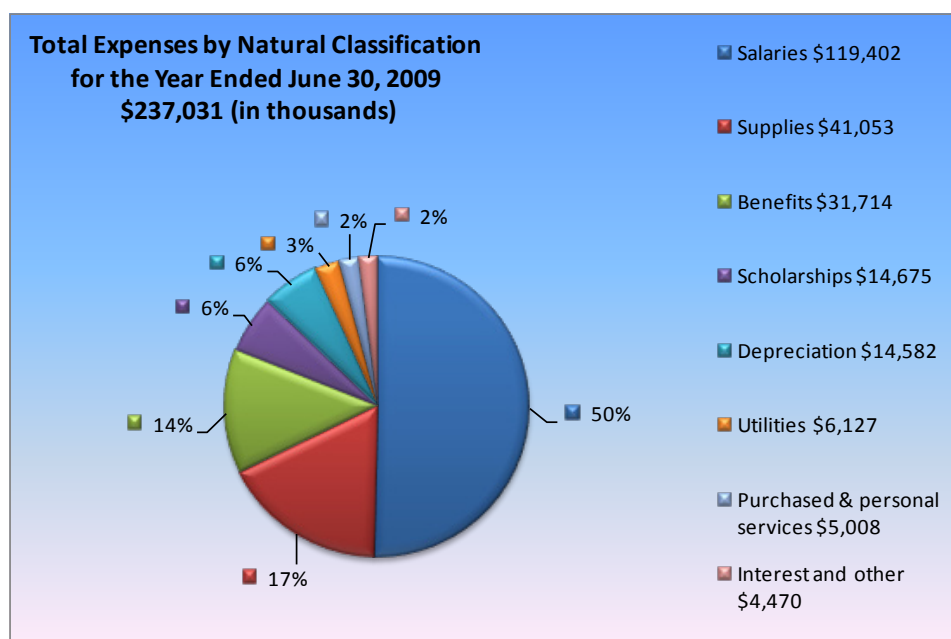
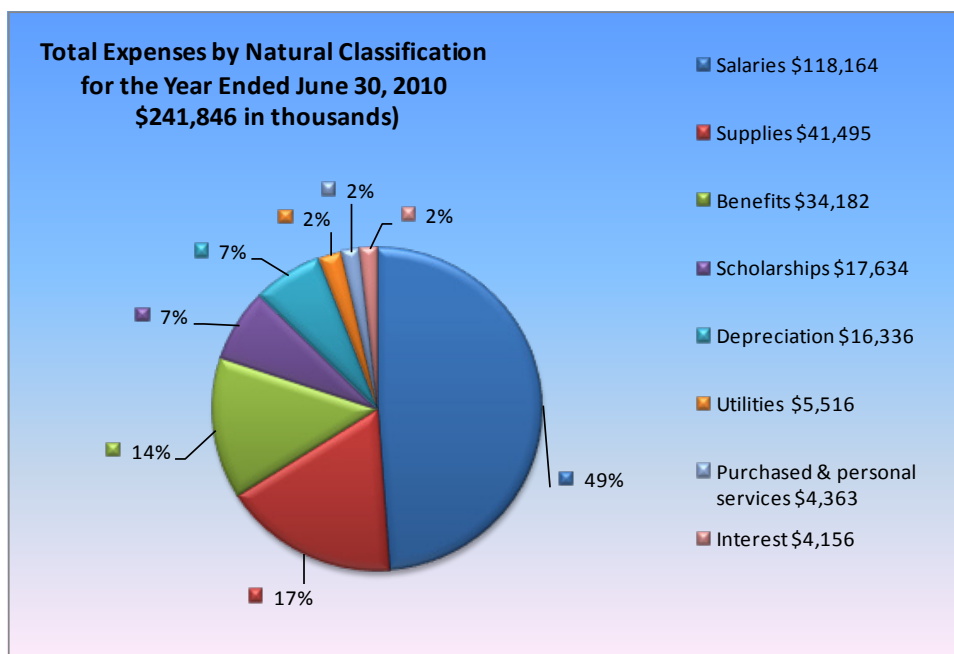


The University's operating expenses increased \$5.1 million (2.2%) in fiscal 2010 and \$6.1 million (2.7%) in fiscal 2009 compared to fiscal 2008. A significant portion of the fiscal 2010 increase relates to benefits expense, which increased \$2.5 million (7.8%) over fiscal 2009 due to a \$184 per month increase in the employer cost for the state benefits package. The majority of the increase in fiscal 2009 is related to salaries and wages, which increased approximately 4.3% in fiscal 2009. Classified, professional staff and faculty received salary adjustments of 2.0%, along with a one-time bonus of 4% for professional staff and faculty in fiscal 2009. No salary increases were given during fiscal 2010 other than longevity pay increases.



Scholarships and fellowships expense increased \$3.0 million (20.2%) comparing fiscal 2010 to fiscal 2009 primarily due to an increase of \$3.8 million (49.6%) in Pell Grants to assist in funding students' tuition. Scholarships and fellowships expense changed slightly (\$148 thousand) comparing fiscal 2009 to fiscal 2008. Supplies and materials and purchased and personal services decreased slightly (\$204 thousand) between fiscal 2010 and fiscal 2009 compared to an increase of \$1.9 million (4.3%) comparing fiscal 2009 to fiscal 2008. The increase in fiscal 2009 was due to the purchase of non-capitalized furnishings and equipment necessary for the AIC building as well as additional repairs and maintenance projects on campus during fiscal 2009. Depreciation expense increased \$1.8 million (12.0%) over fiscal 2009 and \$943 thousand (6.9%) comparing fiscal 2009 to fiscal 2008 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2010 and 2009:



**Operating Loss**

The University's operating loss of \$84.4 million in fiscal 2010 was an increase of \$773 thousand (0.9 %) from fiscal 2009 and a \$466 thousand (0.6%) increase comparing fiscal 2009 to fiscal 2008. Overall operating revenues increased \$4.4 million (2.9%) during fiscal 2010 and \$5.6 million (3.9%) comparing fiscal 2009 to fiscal 2008 while operating expenditures increased in fiscals 2010 and 2009 by \$5.1 million (2.2%) and \$6.1 million (2.7%), respectively.

GASB standards require that State appropriations and Federal Pell grants are classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating loss would be \$8.3 million in fiscal 2010 and the operating income would have been \$2.5 million in fiscal 2009.

**Economic Factors That Will Affect the Future**

During the next biennium, State support for operations, which in past decades has been as high as 70% per year, will fall down to a biennial average of 45.5%. The University's 2009-2011 biennial operating budget includes a 29% reduction in State appropriations (\$44 million), forcing the University to eliminate open and filled positions, reduce department budgets, increase class size, and reduce the number of class sections. No degree programs were eliminated in fiscal 2010 or fiscal 2011, and 2008-2009 enrollment levels will be maintained.

In response to the operating budget shortfall, the University increased annual tuition 14.0%, received \$8.9 million in one-time Federal stimulus funds during fiscal 2010, and temporarily increased reliance on University reserve funds for fiscal 2010. Protecting core academic commitments was established early in the budget process as the foremost guiding principle. Reductions in academic programs are, on average, less than cuts in other areas: approximately 5.0% for academic programs compared with 7-10.0% in non-academic areas for fiscal 2011.

The 2009-2011 operating budget includes tuition increases of 14.0% per year for the biennium, an increase of \$600 per year for resident undergraduate students. The University did not increase non-resident or graduate tuition rates. Increases in State and Federal financial aid and the expansion of Federal education tax credits are available to students and can be used to offset the tuition increase. Further position eliminations are pending for fiscal 2011. The majority of these cuts were from vacant positions. Approximately 83.0% of the operating budget is committed to compensation related expenditures.



The Board of Trustees  
Western Washington University

We have audited the accompanying financial statements of Western Washington University and its discretely presented component unit as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Western Washington University Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the above component unit, are based solely on the report of the other auditors.

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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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 and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements of Western Washington University are intended to present the financial position, and the changes in financial position, and, where appropriate, cash flows of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Washington that is attributable to the transactions of Western Washington University. They do not purport to, and do not, present fairly the financial position of the State of Washington as of June 30, 2010 and 2009, the changes in its financial position, or, where appropriate, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material aspects, the financial position of Western Washington University and of its discretely presented component unit as of June 30, 2010 and 2009, and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

Seattle, Washington  
November 15, 2010

<b>Assets</b>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents (Note 3)	\$ 50,178,923	\$36,433,542
Restricted cash and cash equivalents (Note 3)	430	15,578
Investments (Note 4)	18,330,634	31,251,253
Funds with State Treasurer (Note 5)	7,716,564	6,343,536
Interest receivable	812,792	1,272,563
Accounts receivable, net (Note 6)	2,981,108	3,297,361
Prepaid expenses	512,721	307,901
Inventories (Note 8)	<u>1,261,289</u>	<u>1,495,819</u>
Total current assets	81,794,461	80,417,553
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	6,950,440	14,798,500
Restricted investments (Note 4)	7,761,616	7,465,848
Investments (Note 4)	3,372,253	3,742,442
Due from State Treasurer	7,902,379	2,760,797
Student loans receivable, net (Note 7)	7,692,178	7,620,890
Land (Note 10)	12,772,593	12,772,593
Capital assets, net (Note 10)	400,427,233	371,570,424
Other assets (Note 1)	<u>947,644</u>	<u>1,045,416</u>
Total noncurrent assets	<u>447,826,336</u>	<u>421,776,910</u>
Total assets	<u>529,620,797</u>	<u>502,194,463</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	16,540,440	11,540,473
Deposits payable	2,355,911	2,346,015
Deferred revenues	5,402,277	4,704,688
Compensated absences (Note 11)	7,892,235	7,891,789
Current portion of bonds and notes payable (Notes 12,13,15)	3,480,216	3,069,333
Current portion of net pension obligations (Note 15,19)	195,000	195,000
Deposits held in custody for others	<u>180,371</u>	<u>133,395</u>
Total current liabilities	36,046,450	29,880,693
Noncurrent liabilities:		
Long term portion of bonds and notes payable (Note 12, 13,15)	81,025,590	84,179,833
Long term net pension obligations (Note 15,19)	<u>2,759,864</u>	<u>1,836,738</u>
Total Liabilities	<u>119,831,904</u>	<u>115,897,264</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	336,630,060	312,262,833
Restricted for:		
Nonexpendable: scholarships and professorships	4,623,294	4,149,394
Expendable:		
Instruction and research	2,469,590	3,275,404
Loans	12,155,933	11,409,378
Capital Projects	11,694,956	8,998,139
Unrestricted	<u>42,215,060</u>	<u>46,202,051</u>
Total net assets	<u>\$409,788,893</u>	<u>\$386,297,199</u>

**STATEMENTS OF FINANCIAL POSITION**
*For the years ended June 30, 2010 and 2009*

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	<u>\$1,490,178</u>	<u>\$1,122,334</u>
Investments:		
Operating investment pool	7,326,702	6,095,450
Endowment investment pool		
Externally managed investments	27,451,008	23,271,538
Externally managed investments, held for		
Northwest Indian College Foundation	962,809	921,126
Real estate held for investment, net	2,407,800	2,286,900
Annuity and life income investments	4,158,764	3,840,843
Other	<u>458,757</u>	<u>312,757</u>
Total investments	<u>42,765,840</u>	<u>36,728,614</u>
Receivables:		
Promises to give, net	2,696,403	2,896,255
Other	<u>327,611</u>	<u>8,682</u>
Total receivables	<u>3,024,014</u>	<u>2,904,937</u>
Other assets	<u>28,891</u>	<u>21,968</u>
Total assets	<u>47,308,923</u>	<u>40,777,853</u>
 <b>Liabilities</b>		
Accounts payable	112,995	83,050
Due to Western Washington University	121,163	263,453
Annuity and life income obligations	1,304,331	1,344,420
Indian College Foundation	<u>962,809</u>	<u>921,126</u>
Total liabilities	<u>2,501,298</u>	<u>2,612,049</u>
 <b>Net Assets</b>		
Unrestricted	9,846,966	7,524,501
Temporarily restricted	13,392,949	11,161,966
Permanently restricted	<u>21,567,710</u>	<u>19,479,337</u>
Total net assets	<u>44,807,625</u>	<u>38,165,804</u>
 Total Liabilities and Net Assets	<u>\$47,308,923</u>	<u>\$40,777,853</u>

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Student tuition and fees	\$ 94,533,107	\$86,555,613
Less scholarship allowances	<u>(14,833,867)</u>	<u>(12,982,879)</u>
Net student tuition and fees	79,699,240	73,572,734
Federal grants and contracts	6,639,781	8,338,523
State and local grants and contracts	13,953,989	13,257,130
Nongovernmental grants and contracts	1,969,470	1,752,564
Sales and services of educational activities	2,328,595	2,229,928
Interest earned on loans to students	144,792	136,800
Auxiliary enterprises	52,647,114	53,481,768
Less scholarship allowances	<u>(4,115,218)</u>	<u>(3,856,618)</u>
Net auxiliary enterprises	<u>48,531,896</u>	<u>49,625,150</u>
Total operating revenues	153,267,763	148,912,829
<b>Operating Expenses</b>		
Salaries and wages	118,163,753	119,402,233
Benefits	34,181,520	31,713,625
Scholarships and fellowships	17,634,179	14,675,348
Utilities	5,515,941	6,126,735
Supplies and materials	41,494,644	41,053,047
Purchased and personal services	4,362,892	5,008,483
Depreciation	<u>16,336,531</u>	<u>14,581,784</u>
Total operating expenses	<u>237,689,460</u>	<u>232,561,255</u>
Operating loss	(84,421,697)	(83,648,426)
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	64,621,417	78,535,426
Federal Pell grant revenue	11,458,908	7,658,503
Investment income	3,782,627	4,706,526
Interest on indebtedness	(4,156,297)	(3,491,660)
Gain (loss) on endowments	516,960	(978,004)
Nonoperating rental property income	<u>15,490</u>	<u>201,443</u>
Net nonoperating revenues	<u>76,239,105</u>	<u>86,632,234</u>
(Loss) income before other revenues	(8,182,592)	2,983,808
<b>Other Revenues</b>		
Capital appropriations	27,609,379	14,839,312
Other capital revenue	4,014,907	2,562,413
Gifts to permanent endowments	<u>50,000</u>	<u>550,000</u>
Total other revenues	31,674,286	17,951,725
Increase in net assets	23,491,694	20,935,533
Net assets, beginning of year	<u>386,297,199</u>	<u>365,361,666</u>
Net assets, end of year	<u>\$409,788,893</u>	<u>\$386,297,199</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010</u>
<b>Support and Revenue</b>				
Contributions, net of allowance for uncollectible promises to give	\$373,327	\$3,238,045	\$1,765,421	\$5,376,793
Services and facilities provided by Western Washington University	2,617,671	-	-	\$2,617,671
Interest and dividends	551,648	420,343	1,002	\$972,993
Net realized gains (losses) on investments	1,227	(32,638)	4	(\$31,407)
Net unrealized gains (losses) on investments	1,926,731	2,028,039	5,143	\$3,959,913
Fund raising events and other	54,716	414,474	300,053	\$769,243
Total support and revenue before net assets released from restrictions	5,525,320	6,068,263	2,071,623	13,665,206
Net assets released from restrictions	3,663,167	(3,663,167)	-	-
Change in restrictions	(79,651)	62,901	16,750	-
Total support and revenue	<u>9,108,836</u>	<u>2,467,997</u>	<u>2,088,373</u>	<u>13,665,206</u>
<b>Expenses and Change in Valuation of Annuity Obligations</b>				
Program services and grants	3,700,171	-	-	3,700,171
Management and general - WWU in-kind	1,268,858	-	-	1,268,858
Management and general - other	206,974	-	-	206,974
Fund raising - WWU in-kind	1,348,813	-	-	1,348,813
Fund raising	261,243	-	-	261,243
Total expenses	6,786,059	-	-	6,786,059
Change in valuation of annuity obligations	312	237,014	-	237,326
Total expenses and change in valuation of annuity obligations	<u>6,786,371</u>	<u>237,014</u>	<u>-</u>	<u>7,023,385</u>
<b>Change in Net Assets</b>	2,322,465	2,230,983	2,088,373	6,641,821
<b>Net Assets, beginning of year</b>	7,524,501	11,161,966	19,479,337	38,165,804
<b>Net Assets, end of year</b>	<u>\$9,846,966</u>	<u>\$13,392,949</u>	<u>\$21,567,710</u>	<u>\$44,807,625</u>

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
*For the year ended June 30, 2009*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009</u>
<b>Support and Revenue</b>				
Contributions, net of allowance for uncollectible promises to give	\$645,753	\$2,638,127	\$1,368,833	\$4,652,713
Services and facilities provided by Western Washington University	2,908,714	-	-	2,908,714
Interest and dividends	363,505	584,939	-	948,444
Net realized gains (losses) on investments	459	(54,123)	-	(53,664)
Net unrealized gains (losses) on investments	(3,021,043)	(3,332,442)	-	(6,353,485)
Gain (loss) on sales of assets	(180,567)	-	-	(180,567)
Fund raising events and other	33,241	423,820	434	457,495
Total support and revenue before net assets released from restrictions	750,062	260,321	1,369,267	2,379,650
Net assets released from restrictions	4,200,414	(4,200,427)	-	(13)
Change in restrictions	(883,385)	(239,412)	1,122,797	-
Total support and revenue	<u>4,067,091</u>	<u>(4,179,518)</u>	<u>2,492,064</u>	<u>2,379,637</u>
<b>Expenses and Change in Valuation of Annuity Obligations</b>				
Program services and grants	4,420,726	-	-	4,420,726
Management and general - WWU in-kind	1,451,104	-	-	1,451,104
Management and general - other	235,249	-	-	235,249
Fund raising - WWU in-kind	1,457,610	-	-	1,457,610
Fund raising	334,124	-	-	334,124
Total expenses	7,898,813	-	-	7,898,813
Change in valuation of annuity obligations	-	(99,386)	-	(99,386)
Total expenses and change in valuation of annuity obligations	7,898,813	(99,386)	-	7,799,427
<b>Change in Net Assets</b>	(3,831,722)	(4,080,132)	2,492,064	(5,419,790)
<b>Net Assets, beginning of year</b>	11,356,223	15,242,098	16,987,273	43,585,594
<b>Net Assets, end of year</b>	<u>\$7,524,501</u>	<u>\$11,161,966</u>	<u>\$19,479,337</u>	<u>\$38,165,804</u>

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$80,375,582	\$73,479,384
Grants and contracts	22,846,670	23,782,327
Payments to vendors	(68,667,916)	(66,934,791)
Payments to employees for salaries and benefits	(151,671,022)	(149,723,207)
Loans issued to students	(1,328,887)	(790,086)
Collection of loans to students	1,306,216	1,197,888
Sales of auxiliary enterprises	48,593,026	49,667,455
Sales and services of educational activities	2,303,487	2,163,680
Interest received on loans to students	144,792	136,800
Net cash used by operating activities	<u>(66,098,052)</u>	<u>(67,020,550)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	64,621,417	78,535,426
Direct Lending proceeds	60,938,017	52,587,345
Direct Lending disbursements	(60,927,005)	(52,732,163)
Federal Pell grant receipts	11,458,908	7,658,503
Gifts to permanent endowments	50,000	550,000
Net cash provided by noncapital financing activities	<u>76,141,337</u>	<u>86,599,111</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(19,890,897)	(43,796,559)
Net proceeds from sales of investments	33,402,898	45,396,988
Interest received on investments	4,198,096	5,387,840
Net cash provided by investing activities	<u>17,710,097</u>	<u>6,988,269</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	150,000	14,368,652
Interest earned on bond proceeds	44,302	-
Capital appropriations	22,467,797	17,010,176
Other capital revenue	2,594,365	2,367,826
Proceeds from disposal of capital assets	28,657	57,496
Purchases of capital assets	(40,259,571)	(31,533,887)
Principal paid on capital debt	(3,069,460)	(2,957,603)
Interest paid on capital debt	(3,842,789)	(3,613,559)
Other activities	15,490	201,443
Net cash used by capital and related financing activities	<u>(21,871,209)</u>	<u>(4,099,456)</u>
Net increase in cash and cash equivalents	5,882,173	22,467,374
Cash and cash equivalents, beginning of year	<u>51,247,620</u>	<u>28,780,246</u>
Cash and cash equivalents, end of year	<u><u>\$57,129,793</u></u>	<u><u>\$51,247,620</u></u>

**Reconciliation of Operating Loss to Net Cash Used by Operating Activities**

	<u>2010</u>	<u>2009</u>
Operating loss	(\$84,421,697)	(\$83,648,426)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	16,336,531	14,581,784
Amortization of bond issuance cost	176,100	203,319
Gain on disposal of fixed assets	(15,291)	(7,967)
Changes in assets and liabilities:		
Funds with the State Treasurer	47,514	761,135
Accounts receivable	316,253	614,933
Student loans receivable	(71,288)	334,660
Inventories	234,530	(227,107)
Prepaid expenses	(204,820)	(196,557)
Accounts payable and accrued expenses	(162,905)	(448,393)
Deferred revenue	697,589	(335,771)
Student and other deposits	9,896	50,088
Deposits held in custody	35,964	68,676
Compensated absences	446	265,848
Net pension obligation expense	923,126	963,228
Net cash used by operating activities	<u>(\$66,098,052)</u>	<u>(\$67,020,550)</u>
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	<u>\$8,187,280</u>	<u>\$3,240,146</u>



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Financial Reporting Entity

Western Washington University (the University) is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. These financial statements summarize all the fund types of the University including agency funds.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Western Washington University Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt entity. The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the University in support of its programs. The Board of Directors is self-perpetuating and consists of 31 members. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources or income the Foundation holds and invests is restricted for the activities of the University by the donors. The Foundation's activity is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, *Revenue Recognition*, and ASC 958-205, *Presentation of Financial Statements*.

As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences; however significant note disclosures (see Note 2) to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

The Foundation's financial statements can be obtained by contacting the Foundation at (360) 650-3408.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and following the guidance given by GASB.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated. The University has elected not to apply any FASB pronouncements issued after November 30, 1989.

New Accounting Pronouncements

On July 1, 2008, the University adopted GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". This pronouncement includes provisions for recognition and disclosure of estimated costs for cleanup of pollution that the University may have an obligation to remediate. The University has no additional disclosures resulting from this pronouncement.

On July 1, 2008, the University adopted GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". This pronouncement includes provisions for the disclosure of the historical cost of land and real estate held by endowments. The University has no additional disclosures resulting from this pronouncement.

On July 1, 2009, the University adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This pronouncement includes provisions that all intangible assets not specifically excluded by its scope be classified as capital assets. The University has no additional capital assets resulting from this pronouncement.

On July 1, 2009, the University adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This pronouncement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The University does not have

any derivative instruments within the scope of this standard.

### **Other Accounting Policies**

#### Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund University operations are classified as current assets along with operating funds invested in the LGIP. Cash, cash equivalents, and investments that represent unspent bond proceeds or are held with the intent to fund capital projects are classified as noncurrent assets. Endowment investments are also classified as noncurrent assets. The University records all cash, cash equivalent, and investments at amortized cost, which approximates fair value.

The University combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents and certificates of deposit.

#### Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

#### Inventories

Inventories are carried at the lower of cost or market value.

#### Capital Assets

Land, buildings and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of the gift. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest

expense incurred during capital construction is capitalized as part of the building cost. During fiscal 2010 and fiscal 2009, \$176,208 and \$0 in construction related interest was capitalized, respectively. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

#### Bond Premiums/Discounts and Issuance Costs

Bond premiums/discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statements of Net Assets net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statements of Net Assets.

#### Deferred Revenues

Deferred revenues occur when revenues have been collected in advance for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but relate to services to be provided in the following fiscal year.

#### Net Assets

The University's net assets are classified as follows:

##### *Invested in capital assets, net of related debt*

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net assets described below.

##### *Restricted net assets, expendable*

Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

##### *Restricted net assets, nonexpendable*

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

#### *Unrestricted net assets*

Unrestricted net assets represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

#### Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

#### *Operating revenues*

Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

#### *Operating expenses*

Operating expenses are those costs incurred in daily operations, such as salaries and wages, benefits, scholarships and fellowships expenses, depreciation, utilities, and supplies.

#### *Nonoperating revenues*

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income. Included in State Appropriations are one time Federal Reinvestment and Recovery Act stimulus funds of \$8.9 million in fiscal 2010.

#### *Nonoperating expenses*

Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

#### *Other Revenues*

Other revenues include activities that have the characteristics of non-exchange transactions, such as state capital appropriations and gifts to endowments.

#### Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in the University's financial Statements.

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

#### Tax Exemption

The University is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from Federal income taxes on related income.

#### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

## **2. COMPONENT UNIT**

The Foundation presents information about its financial position and activities according to the following three classes of net assets, depending on the existence and nature of donor restrictions:

#### *Unrestricted net assets*

Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.

#### *Temporarily restricted net assets*

Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets*

Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by the donors, earnings from such funds may be either unrestricted or temporarily restricted.

**3. CASH AND CASH EQUIVALENTS**

The University combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated to the departments on a proportional basis. The internal investment pool is comprised of cash and cash equivalents and investments.

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investment Pool (LGIP).

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool.

At June 30, 2010 and 2009, the carrying amount of cash and cash equivalents is \$57,129,793 and \$51,247,620 respectively. These balances include restricted cash and cash equivalents of \$6,044,593 and \$14,200,292 of unspent Housing and Dining System bond proceeds at June 30, 2010 and 2009 respectively. The carrying amount of cash and cash equivalents approximates the market value.

**4. INVESTMENTS**

Investments include internally pooled cash operating funds invested in certificates of deposit (CD's), renewal and replacement funds, unspent bond proceeds, and University endowment funds.

The certificates of deposit held in the internal investment pool are insured by the (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The

University held \$18,650,063 and \$33,158,585 of certificates of deposits in pooled investments at June 30, 2010 and 2009, respectively.

The University separately invests the Housing and Dining System Renewal and Replacement funds. As of June 20, 2010 and 2009, the Renewal and Replacement funds of \$2,812,169 and \$2,780,142 were separately invested in CD's.

University endowment funds are invested under the direction of the Endowment Investment Committee. The committee is responsible for reviewing and recommending policy to define investment objectives and allowable investments, monitoring investment performances and social concerns and recommending investments, investment managers, and/or mutual funds.

Endowment funds are comprised of \$4,623,294 in donor restricted and \$3,377,967 in quasi endowments at June 30, 2010 and \$4,149,394 in donor restricted and \$2,370,412 in quasi endowments at June 30, 2009.

**Interest Rate Risk**

The University manages its exposure to fair values losses in the internal investment pool by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year.

Endowment funds are invested under Endowment Investment Policy guidelines. These guidelines include the primary objective of achieving long term growth using prudent investing practices, and do not limit investment maturities as a means to managing interest rate exposure.

**Concentration of Credit Risk**

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The University does not have a formal policy for managing concentration of credit risk in the internal investment pool. All investments in the pool are either insured through the FDIC or collateralized by assets held in a multiple financial institution collateral pool administered by the Washington PDPC.

The Endowment Investment Policy limits the endowment investments to no more than 5% of the portfolio for a single issuer.

At June 30, 2010, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-2	2-3	3-4	>4 years
WWU Investment Pool:						
Cash & Cash Equivalents	\$51,085,200	51,085,200				
Time Certificates of Deposits (CDs)	18,650,063	18,650,063				
WWU Endowment Funds:						
Mutual Funds - Money Market	1,011,589	1,011,589				
U.S. Government/Agency Securities	2,331,691		392,644	237,548	961,836	739,663
Equity Securities	4,657,981	n/a	n/a	n/a	n/a	n/a
Other Cash, Cash Equivalents, & Investments:						
Renewal and Replacement Time CDs	2,812,169	1,322,811	1,489,358			
Bond Proceeds Invested in LGIP	6,044,593	6,044,593				
Miscellaneous	<u>1,010</u>					1,010
<b>TOTAL CASH AND INVESTMENTS</b>	<b><u>\$86,594,296</u></b>					

At June 30, 2009, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-2	2-3	3-4	>4 years
WWU Investment Pool:						
Cash and Cash Equivalents	\$37,047,328	37,047,328				
Time Certificates of Deposits (CDs)	33,158,585	31,786,555	1,372,030			
WWU Endowment Funds:						
Mutual Funds - Money Market	914,546	914,546				
U.S. Government/Agency Securities	1,752,159		176,075	176,501	270,572	1,129,011
Equity Securities	3,853,101	n/a	n/a	n/a	n/a	n/a
Other Investments:						
Renewal and Replacement Time CDs	2,780,142	1,457,332	1,322,810			
Bond Proceeds Invested in LGIP	14,200,292	14,200,292				
Miscellaneous	<u>1,010</u>					1,010
<b>TOTAL CASH AND INVESTMENTS</b>	<b><u>\$93,707,163</u></b>					

## 5. FUNDS WITH STATE TREASURER

This account represents the University's share of net earnings of the State of Washington Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects and debt service incurred over the years. The Normal School

Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern

Washington University, Western Washington University, and The Evergreen State College.

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres granted by the United States

government for state normal schools and are managed by the State Department of Natural Resources.

The University's earnings and distributions on the fund for the year ended June 30, 2010 and 2009 are \$4,014,907 and \$2,562,413, respectively which are reported as other capital revenue.

## 6. ACCOUNTS RECEIVABLE, NET

At June 30, 2010 and 2009, the major components of accounts receivable are as follows:

	<u>2010</u>	<u>2009</u>
Student tuition and fees	\$1,164,003	\$1,034,830
Federal, State and private grants and contracts	325,730	371,873
Auxiliary enterprises and other operating activities	<u>2,010,874</u>	<u>2,343,175</u>
Total accounts receivable	3,500,607	3,749,878
Less allowance for doubtful accounts	<u>(519,499)</u>	<u>(452,517)</u>
Accounts receivable, net	<u><u>\$2,981,108</u></u>	<u><u>\$3,297,361</u></u>

## 7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2010 and 2009, student loans receivable are as follows:

	<u>2010</u>	<u>2009</u>
Federal Perkins student loans	\$8,518,653	\$8,456,365
Other long term loans	41,407	48,155
Institutional loans	<u>62,041</u>	<u>48,946</u>
Total student loans	8,622,101	8,553,466
Less allowance for doubtful accounts	<u>(929,923)</u>	<u>(932,576)</u>
Student loans receivable, net	<u><u>\$7,692,178</u></u>	<u><u>\$7,620,890</u></u>



**8. INVENTORIES**

At June 30, 2010 and 2009, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

Location	Valuation	2010	2009
	Method		
Bookstore	Retail	\$710,393	\$966,976
Central Stores	Average Cost	138,134	123,361
Facilities Maintenance	FIFO	152,913	144,157
Lock Shop	FIFO	123,816	120,838
Other inventory	FIFO	136,033	140,487
Total inventory		<u>\$1,261,289</u>	<u>\$1,495,819</u>

**9. LAND AND CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$16,336,531 and \$14,581,784, respectively. Following are the changes in land and capital assets for the year ended June 30, 2010:

	6/30/2009	Additions/ Transfers	Retirements	6/30/2010
	Land	\$12,772,593	\$ -	\$ -
Capital Assets				
Infrastructure	\$53,656,654	\$ -	\$ -	\$53,656,654
Buildings	376,526,486	801,823	-	377,328,309
Furniture, fixtures and equipment	38,120,527	2,985,846	13,741,816	27,364,557
Library materials, art collection	48,788,816	2,121,019	-	50,909,835
Improvements	48,818,558	11,659,675	-	60,478,233
Construction in progress	15,241,879	27,638,343		42,880,222
Total capital assets	<u>581,152,920</u>	<u>45,206,706</u>	<u>13,741,816</u>	<u>612,617,810</u>
Less Accumulated Depreciation				
Infrastructure	20,700,230	1,378,460	-	22,078,690
Buildings	110,929,274	8,266,619	-	119,195,893
Furniture, fixtures and equipment	30,680,140	2,355,262	13,728,450	19,306,952
Library materials, art collection	34,830,452	1,646,960	-	36,477,412
Improvements	12,442,400	2,689,230	-	15,131,630
Total accumulated depreciation	<u>209,582,496</u>	<u>16,336,531</u>	<u>13,728,450</u>	<u>212,190,577</u>
Capital Assets, Net	<u>\$371,570,424</u>	<u>\$28,870,175</u>	<u>\$13,366</u>	<u>\$400,427,233</u>

Following are the changes in land and capital assets for the year ended June 30, 2009:

	6/30/2008	Additions/ Transfers	Retirements	6/30/2009
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
<b>Capital Assets</b>				
Infrastructure	\$53,247,646	\$409,008	\$ -	\$53,656,654
Buildings	315,813,877	60,712,609	-	376,526,486
Furniture, fixtures and equipment	33,859,700	4,753,901	493,074	38,120,527
Library materials, art collection	46,662,184	2,126,632	-	48,788,816
Improvements	42,297,615	6,520,943	-	48,818,558
Construction in progress	61,231,873	(45,940,465)	49,529	15,241,879
<b>Total capital assets</b>	<b>553,112,895</b>	<b>28,582,628</b>	<b>542,603</b>	<b>581,152,920</b>
<b>Less Accumulated Depreciation</b>				
Infrastructure	19,323,379	1,376,851	-	20,700,230
Buildings	103,848,840	7,080,434	-	110,929,274
Furniture, fixtures and equipment	29,164,429	2,008,785	493,074	30,680,140
Library materials, art collection	32,953,311	1,877,141	-	34,830,452
Improvements	10,203,827	2,238,573	-	12,442,400
<b>Total accumulated depreciation</b>	<b>195,493,786</b>	<b>14,581,784</b>	<b>493,074</b>	<b>209,582,496</b>
<b>Capital Assets, Net</b>	<b>\$357,619,109</b>	<b>\$14,000,844</b>	<b>\$49,529</b>	<b>\$371,570,424</b>

## 10. ART COLLECTIONS

The University has several collections of art that it does not capitalize. The Outdoor Sculpture Collection is a public art collection displayed throughout the entire campus. There are also collections of 19<sup>th</sup> and 20<sup>th</sup> century prints and drawings, the Whittington Collection of Asian Ceramics, and the Chair Collection. These collections adhere to the University's policy to (a) maintain

them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. The University's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

## 11. COMPENSATED ABSENCES

The accrued leave balance as of June 30, 2010 and 2009 is \$7,892,235 and \$7,891,789, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, the University began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post retirement medical expense reimbursement account available to professional staff employees of the University. The VEBA-MEP enables the University to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf. Funds deposited into a VEBA-MEP account, as well as



the earnings on the account, are not subject to federal income or social security taxes.

During fiscal 2010 and fiscal 2009, \$77,556 and \$49,782 respectively, was contributed to VEBA accounts by the University on behalf of employees.

**12. NOTES PAYABLE**

The University finances certain land and equipment purchases through certificates of participation issued by the Washington State Treasurer. The University's debt service requirements for these agreements for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2011	285,216	114,453
2012	243,207	103,665
2013	183,251	95,812
2014	192,630	89,233
2015	149,684	82,655
2016-2020	699,302	326,175
2021-2025	800,000	172,931
2026-2030	370,000	16,875
Total	2,923,290	<u>\$1,001,799</u>
Plus unamortized premium	<u>1,209</u>	
Total	<u>2,924,499</u>	

**13. BONDS PAYABLE**

Bonds payable consist of revenue bonds issued by the University for Housing and Dining System facilities and the Wade King Student Recreation Center. Bonds outstanding are shown on the following page.

Housing and Dining Revenue Bonds

As specified in Master Resolution 97-09, the Housing and Dining System Revenue Fund is used to pay operating expenses, principal and interest, fund debt service reserve accounts required in subsequent series resolutions, pay the renewal and replacement fund and, if desired, retire debt in the open market. Net revenues are pledged to equal at least 125% of debt service. The System has funded a reserve account for debt service, and maintains a renewal and replacement fund equal to at least 5% of outstanding bonds.

The Housing and Dining System has the following outstanding bond issues:

Series 2009 A and B Revenue Bonds with interest rates ranging from 3.0% to 7.4% and an aggregate

face value of \$14,280,000 at June 30, 2010, which is reported net of the original issue premium of \$20,417.

Series 2006 Revenue Bonds with an interest rate of 4% and an aggregate face value of \$8,280,000 at June 30, 2010, which is reported net of the original issue premium of \$40,338.

Series 2005 Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50% and an aggregate face value of \$12,045,000 at June 30, 2010, which is reported net of the unamortized original discount and loss on defeasance of \$974,725.

Series 2003 Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65% and an aggregate face value of \$11,505,000 at June 30, 2010, which is reported net of the unamortized original issue discount and loss on defeasance of \$146,118.

Series 1999 Junior Lien Revenue Bonds with interest rates ranging from 5.2% to 6.0% and an aggregate

face value of \$0 at June 30, 2010, which is reported net of the unamortized original issue discount of \$0.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of \$12,325,000 at June 30, 2010, which is reported net of the unamortized original issue premium of and loss on defeasance of \$320,882.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued the Revenue Bonds Series, 2002, in February 2002. The bonds bear interest at rates of 4% to 5% and have an aggregate face value of \$24,850,000 at June 30, 2010, which is reported net of the unamortized original issue discount and loss on defeasance of \$322,723.

Advance Refunding

The scheduled liabilities as of June 30, 2010 and 2009 do not include \$11,165,000 of Housing and Dining System revenue bonds which were advance refunded in October 1991 and May 2005.

In May 2004, the Wade King Student Recreation Center defeased \$945,000 of revenue bonds. The outstanding balances are \$810,000 and \$830,000 at June 30, 2010 and 2009, respectively.

Government obligations in amounts, maturities and bearing interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts. Neither the assets of the trusts, nor their outstanding obligations, are included in the accompanying balance sheets.

The debt service requirements for the revenue/refunding bonds for the next five years and thereafter are as follows:

Fiscal Year	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	2,580,000	2,885,173	615,000	1,225,888
2012	2,680,000	2,783,678	640,000	1,199,750
2013	2,785,000	2,676,711	670,000	1,172,230
2014	2,895,000	2,563,847	700,000	1,142,750
2015	3,025,000	2,443,432	725,000	1,111,250
2016-2020	17,225,000	10,004,227	4,230,000	4,972,500
2021-2025	17,180,000	5,643,852	5,385,000	3,805,500
2026-2030	5,910,000	2,542,945	6,880,000	2,316,750
2031-2034	4,155,000	786,990	5,005,000	508,500
Total	\$58,435,000	\$32,330,855	24,850,000	\$17,455,118
Unamortized premium/(discount)	48,051		(268,861)	
Less unamortized loss on defeasance	(1,429,021)		(53,862)	
Total	\$57,054,030		24,527,277	

**14. PLEDGED REVENUES**

The University has pledged certain revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Source of Revenue Pledged	Total Future Revenues Pledged *	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Housing and Dining revenues, net of operating expenses	\$90,765,855	Housing and Dining bonds issued in 1998, 1999, 2003, 2005, 2006, 2009	Construction and renovation of student housing projects	2034	84.8%
Student Recreation Center gross revenues	\$42,305,118	Student Recreation Center bonds issued in 2002	Construction of the Student Recreation Center	2033	42.6%

\* Total future principal and interest payments on debt

**15. LONG TERM LIABILITIES**

Following are the changes in long term liabilities for the years ended June 30, 2010 and 2009:

	<u>6/30/2009</u>	<u>Additions/ Amortization</u>	<u>Retirements</u>	<u>6/30/2010</u>	<u>Current Portion</u>
Bonds and notes payable					
Revenue and refunding bonds	\$84,210,207	\$176,100	\$2,805,000	\$81,581,307	\$3,195,000
Notes payable	3,038,959	150,000	264,460	2,924,499	285,216
Net pension obligation	<u>2,031,738</u>	<u>1,053,000</u>	<u>129,874</u>	<u>2,954,864</u>	<u>195,000</u>
Total long term liabilities	<u>\$89,280,904</u>	<u>\$1,379,100</u>	<u>\$3,199,334</u>	<u>\$87,460,670</u>	<u>\$3,675,216</u>
	<u>6/30/2008</u>	<u>Additions/ Amortization</u>	<u>Retirements</u>	<u>6/30/2009</u>	<u>Current Portion</u>
Bonds and notes payable					
Revenue and refunding bonds	\$72,426,887	\$14,483,320	\$2,700,000	\$84,210,207	\$2,805,000
Notes payable	3,207,911	88,651	257,603	3,038,959	264,333
Net pension obligation	<u>1,068,510</u>	<u>1,053,000</u>	<u>89,772</u>	<u>2,031,738</u>	<u>195,000</u>
Total long term liabilities	<u>\$76,703,308</u>	<u>\$15,624,971</u>	<u>\$3,047,375</u>	<u>\$89,280,904</u>	<u>\$3,264,333</u>

**16. LEASES**

The University finances certain equipment through non-cancelable operating leases. At June 30, 2010, future payments under these operating leases are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2011	\$ 1,483,249
2012	562,522
2013	347,701
2014	294,695
2015	158,901
2016 - 2028	<u>299,062</u>
Total minimum lease payments	<u>\$ 3,146,130</u>

**17. DEFERRED COMPENSATION**

The University, through the State of Washington, offers its employees a Deferred Compensation Plan created under Internal Revenue Code Section 457.

The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The State of Washington administers the plan on behalf of the University's employees; the University does not have legal access to the funds.

**18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES**

In the Statement of Revenues, Expenses and Changes in Net Assets, operating expenses are displayed by natural classifications which include salaries, employee benefits, goods and services, and other similar categories.

Operating expenses by functional classification for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Instruction	\$87,127,977	\$86,764,924
Research	5,066,585	4,736,643
Academic support	11,295,613	11,822,416
Student services	16,162,863	15,787,601
Institutional support	19,415,907	19,008,185
Operation and maintenance of plant	38,718,526	37,545,597
Scholarships and other student aid	17,544,179	14,585,348
Auxiliary enterprise expenditures	<u>42,357,810</u>	<u>42,310,541</u>
Total operating expenses	<u>\$237,689,460</u>	<u>\$232,561,255</u>

**19. PENSION PLANS**

The University offers four contributory pension plans: the Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) and the Western Washington University Retirement Plan (WWURP).

The payroll for the University employees covered by PERS for the year ended June 30, 2010 and 2009 is \$34,382,460 and \$35,274,807; the payroll for employees covered by TRS is \$1,096,647 and \$1,140,745; the payroll covered by WWURP is \$72,402,864 and \$73,205,253; the payroll for LEOFF is \$654,234 and \$745,017, respectively.

Western Washington University Retirement Plan (WWURP)

*Plan Description*

The Western Washington University Retirement Plan (WWURP) is a defined contribution pension plan with a supplemental payment, when required. The

WWURP plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

*Funding Policy*

Employee contribution rates, which are based on age, range from 5% to 10% of salary. The University matches the employee contributions. All required employer and employee contributions have been made.

The WWURP contributions for the years ending June 30, 2010, and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Employee	\$5,598,912	\$5,535,103
University	5,595,963	5,530,958

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date.

The University makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

The University received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2009. The previous evaluation was performed in 2007. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2009 and 2007 was \$7,287,000 and \$4,120,000, respectively, and is amortized over a 14.5 year period. An updated

actuarial evaluation was not performed for fiscal 2010.

The Annual Required Contribution (ARC) of \$1,053,000 consists of amortization of the UAL (\$554,000), normal cost (or current cost) (\$473,000) and interest. The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 6% to 8% and projected salary increases ranging from 2% to 4%. Approximately \$72,402,684 and \$73,205,253 of the University's payroll was covered under this plan during fiscal 2010 and fiscal 2009, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2010:

Balance as of June 30, 2008	\$1,068,510
Annual Required Contribution FY 09	1,053,000
Payments to Beneficiaries FY 09	<u>(89,772)</u>
Balance as of June 30, 2009	2,031,738
Annual Required Contribution FY 10	1,053,000
Payments to Beneficiaries FY 10	<u>(129,874)</u>
Balance as of June 30, 2010	<u>\$2,954,864</u>

### PERS, TRS and LEOFF

#### *Plan Description*

The University contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance, to eligible non academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS I provides retirement and disability benefits, a lump sum death benefit, and minimum benefits increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS II and III provide retirement benefits, and cost-of-living allowance to certain eligible faculty hired on or after October 1, 1977.

In addition TRS III has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF II provides retirement benefits and a cost of living allowance for eligible law enforcement officers. LEOFF System benefits are vested after an employee completes five years of eligible service.

The Washington State Legislature establishes or amends benefit provisions for PERS, TRS, and LEOFF. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington System Department of Retirement System, P.O. Box 48380, Olympia, WA, 98504.

#### *Funding Policy*

Each biennium, the Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required employee and/or employer contribution rates for PERS, TRS, and LEOFF plans, except where employee contribution rates are set by statute. All employers are required to contribute at the level established by State law.

The required contribution rates expressed as a percentage of current year covered payroll at June 30, 2010 follow:

	<u>Employee</u>	<u>University</u>
PERS		
Plan I	6.00%	5.31%
Plan II	3.90%	5.31%
Plan III	5-15%	5.31%
TRS		
Plan I	6.00%	6.53%
Plan II	3.51%	6.53%
Plan III	5-15%	6.53%
LEOFF		
Plan II	8.46%	5.24%

The required contributions for the years ending June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
PERS		
Employee	\$1,518,542	\$1,967,277
University	1,794,471	2,886,087
TRS		
Employee	32,253	32,195
University	32,890	42,344
LEOFF		
Employee	55,337	65,785
University	56,384	66,977

All required employer and employee contributions have been made.

## **20. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal 2010, this amount was \$183 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary calculated the



total OPEB obligation of the State of Washington at July 1, 2010.

The Actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient

specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's financial statements.

The University was billed and paid approximately \$16.6 million for active and retiree health care expenses during fiscal 2010 and \$14.3 million in fiscal 2009.

## 21. RISK MANAGEMENT

The University participates in a State of Washington risk management self-insurance program. Premiums to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. The University self-insures unemployment compensation for all employees.

In addition, sufficient insurance coverage for property casualty loss on the residence halls and the Wade King Student Recreation Center is maintained in accordance with the Housing and Dining System and Wade King Student Recreation Center Master Bond Resolutions.

The University has been named in several lawsuits. While the final outcome of the lawsuits cannot be predicted with certainty, it is the University's opinion that the ultimate liability will not materially affect the financial statements.

The University participates in the State insurance program and is indemnified and will be reimbursed by the State for any claims paid related to these lawsuits.

## 22. COMMITMENTS

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2010 and 2009 are:

	<u>2010</u>	<u>2009</u>
Operating	\$4,599,505	\$2,761,520
Research	359,320	801,395
Capital projects	<u>33,577,523</u>	<u>9,915,760</u>
Total commitments	<u>\$38,536,348</u>	<u>\$13,478,675</u>

## 23. JOINT VENTURE

In fiscal 2010, the University participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c) (3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of the University Board of Trustees appointed by the University Board of Trustees, the President of the University, a member of the Commission of the Port of Bellingham appointed by

the Commission of the Port, the Executive Director of the Port of Bellingham, and a fifth board member who was appointed by a majority vote of the other four board members who is not affiliated with either entity. The board of directors may in the future allow other Washington governments or educational institutions to become members under such terms and conditions as they determine. The purpose of the joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on the University's Statement of Net Assets.



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***ASSOCIATED STUDENTS BOOKSTORE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

**Overview of the Financial Statements and Financial Analysis**

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Associated Students Bookstore (the Bookstore) for the years ended June 30, 2010, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Presentation of the Financial Statements**

The Bookstore's financial reports include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The Bookstore's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Statements of Net Assets**

The Statements of Net Assets present the financial condition of the Bookstore at the end of the fiscal year and report all assets and liabilities of the Bookstore.

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between total assets and total liabilities, net assets, is one indicator of the current financial condition of the Bookstore. The change in net assets measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statements of Net Assets as of June 30, 2010, 2009 and 2008:

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$2,783,788	\$2,833,736	\$2,407,585
Noncurrent Assets	-	24,134	59,977
Capital Assets, net	<u>1,463,330</u>	<u>1,515,718</u>	<u>1,645,772</u>
Total assets	4,247,118	4,373,588	4,113,334
 <b>LIABILITIES</b>			
Current liabilities	<u>300,868</u>	<u>448,442</u>	<u>378,627</u>
Total liabilities	300,868	448,442	378,627
 <b>NET ASSETS</b>			
Invested in capital assets, net	1,463,330	1,515,718	1,645,772
Net assets, unrestricted	2,482,490	2,393,850	2,088,935
Net assets, restricted, expendable	<u>430</u>	<u>15,578</u>	<u>-</u>
Total net assets	<u>\$3,946,250</u>	<u>\$3,925,146</u>	<u>\$3,734,707</u>

***ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS******June 30, 2010 and 2009***

The Bookstore's net assets increased for the third year in a row. At June 30, 2010, total net assets were \$3,946,250, an increase of \$21,104 (0.5%) from fiscal 2009 and \$190,439 when comparing fiscal 2009 to fiscal 2008 (5.1%) as discussed below.

Current assets decreased \$49,948 (1.8%) from fiscal 2009 and increased \$426,151 (17.7%) comparing fiscal 2009 to fiscal 2008. The fiscal 2010 decrease in current assets reflects management's concerted effort to control inventories by reducing overstock items that are no longer required by faculty (a total decrease of 26.5%) that were on hand at the end of fiscal 2010. In addition, the Bookstore utilized existing publisher credits for new purchases, thereby reducing receivables. The balance of credits due from publishers was \$272,767 in fiscal 2010 down \$338,227 (-55.4%) from \$610,994 in fiscal 2009. When comparing vendor credits between fiscal 2009 and fiscal 2008, the change was an increase of \$218,608 (55.7%). Inventory balances were \$710,393 in fiscal 2010, a decrease of \$256,583 (26.5%) over the fiscal 2009 inventory balance of \$966,976. When comparing fiscal 2009 to fiscal 2008 inventory balances, there was an increase of \$231,653 (31.5%) over the fiscal 2008 balance of \$735,323 due to the purchase of inventory in May 2009 as a result of early registration for Fall quarter, which identified the required textbooks and related supplies prior to the end of fiscal 2009.

Cash and cash equivalents increased \$657,836 over fiscal 2009 and \$158,060 comparing fiscal 2009 to fiscal 2008 due to a reallocation of funds from investments to cash and equivalents at the University due to low interest earnings in the market.

Noncurrent investments decreased \$24,134 (-100%) in fiscal 2010 compared to fiscal 2009 due to the change in long term and short term investments held with the University. The change between fiscal 2009 to fiscal 2008 was a decrease of \$35,843 (-59.8%) due to the investment mix of short term versus long term.

Capital assets decreased slightly, \$52,388 (3.5%) when comparing fiscal 2010 to fiscal 2009 as existing assets continue to be depreciated at a greater rate than new capital assets are added. The only capital asset purchased in fiscal 2010 was a Dell server for the Sequoia point of sale system (\$8,587). These same assets decreased \$130,054 (-7.9%) when comparing fiscal 2009 to fiscal 2008 due to depreciation.

The Bookstore made no transfer to the Associated Students of Western Washington University (ASWWU) in fiscal 2010 in accordance with their negotiated agreement due to the low net income of the Bookstore, resulting in a decrease in total liabilities of \$147,574 (-32.9%) compared to the fiscal 2009 balance of \$448,442 and fiscal 2008 balance of \$378,627. Transfers to ASWWU of \$165,440 and \$123,110 were made in fiscal 2009 and fiscal 2008, respectively.

Unrestricted net assets increased by \$88,640 (3.7%) over fiscal 2009 primarily due to an increase in net assets of \$21,104 and spending of the majority of the remaining restricted net assets, which is discussed below. When comparing fiscal 2009 to fiscal 2008, the increase of \$304,915 in unrestricted net assets is largely due to an increase in net assets of \$190,439 and a reduction of invested in capital assets due to accumulated depreciation.

The Bookstore had restricted assets of \$15,578 in fiscal 2009, representing the remaining cash from the fiscal 2009 contribution of \$30,000 by the ASWWU from the Bookstore Improvement Reserve to fund new equipment and software to supplement the Sequoia point of sale (PC POS) system. The Bookstore spent the majority of the remaining funds (\$15,148) during fiscal 2010 to purchase hardware, a Dell server (SCS Server) and software to update the Bookstore's Sequoia point of sale system (PC POS) to meet Payment Card Industry Data Security Standards (PCI DSS). Of these purchases, \$8,587 was capitalized and the remaining \$6,561 was

***ASSOCIATED STUDENTS BOOKSTORE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

expensed in accordance with the University's capitalization policy. In fiscal 2009, the Bookstore spent \$14,422 of these restricted assets on noncapital equipment for their PC POS system.

**Statements of Revenues, Expenses and Changes in Net Assets**

The changes in total net assets, as presented on the Statements of Net Assets, are detailed in the activity shown in the Statements of Revenues, Expenses, and Changes in Net Assets. The statements present the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students. Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as nonoperating revenue and makes up the majority of nonoperating revenues.

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sales, net of discounts	\$ 6,323,888	\$ 6,321,569	\$ 6,439,936
Cost of goods sold	<u>4,875,830</u>	<u>4,710,880</u>	<u>4,850,535</u>
Gross margin	1,448,058	1,610,689	1,589,401
Other operating revenues	64,827	70,114	118,298
Operating expenses	<u>1,470,436</u>	<u>1,358,671</u>	<u>1,456,814</u>
Income (loss) from operations	42,449	322,132	250,885
Nonoperating (expenses) revenues	<u>(21,345)</u>	<u>(131,693)</u>	<u>(102,775)</u>
Changes in net assets	21,104	190,439	148,110
Net assets, beginning of year	<u>3,925,146</u>	<u>3,734,707</u>	<u>3,586,597</u>
Net assets, end of year	<u><u>\$ 3,946,250</u></u>	<u><u>\$ 3,925,146</u></u>	<u><u>\$ 3,734,707</u></u>

The Bookstore has a strong commitment to student success at Western, which includes providing affordable course materials. In support of this commitment, the Bookstore maintained its 10% discount on textbooks during fiscal 2010. This discount represents an approximate reduction of \$519,000 in the cost of textbooks for Western Washington University students who purchase their textbooks on campus. This level of discount is uncommon in the college bookstore industry, and is evident when using the Independent College Bookstore Association (ICBA) survey to benchmark gross margins with the average of other college bookstores.

***ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

The gross margin percentage for the bookstore in fiscal 2010 was 22.9%, down from 25.5% in fiscal 2009 and 24.7% in fiscal 2008. The average gross margin for bookstores reporting in the ICBA survey for 2008-2009 was 27.2%.

The gross margin from sales in fiscal 2010 decreased \$162,631 (-10.1%) from fiscal 2009, primarily as a result of a \$164,950 (3.5%) increase in cost of goods sold. The increase in cost of goods sold is partially attributable to a change in the ratio of new to used book sales in fiscal year 2010. Used books sell for 75% of the new book price but cost less and therefore carry a higher profit margin. New book sales comprised 57.6% of course book revenue in fiscal 2010 and 55.4% in fiscal 2009. Used book sales were 42.4% in fiscal 2010, 44.6% in fiscal 2009 and 39.8% in fiscal 2008. WWU's used book sales are very strong compared to the industry average of 33.3% as reported in the ICBA 2008-2009 survey.

Textbook margins decreased by \$124,606 to \$855,344 (18.3%) in fiscal 2010 from \$979,950 (21.1%) in fiscal 2009 and \$961,722 (20.5%) in fiscal 2008 due to the higher cost of new books. Additional impacts to cost of goods sold include the extra costs related to books stocked but unsold and then returned. Cost of goods sold includes the freight cost to bring the books in to the Bookstore.

Computer/Software gross margins decreased in fiscal 2010 to 26.6% from 29.5% in fiscal 2009 and 22.2% in fiscal 2008. The change in fiscal 2010 was a result of discontinuing the sale of boxed software and increasing the sale of the Microsoft products available through the University's site licensing program. This program sells Microsoft products at lower prices to the student, resulting in lower margins to the Bookstore. The increase in margins between fiscal 2009 and fiscal 2008 is a result of discontinuing the sales of Apple hardware and products. While these products sell well, they typically have a very low margin which reduces the overall margin of the computer category.

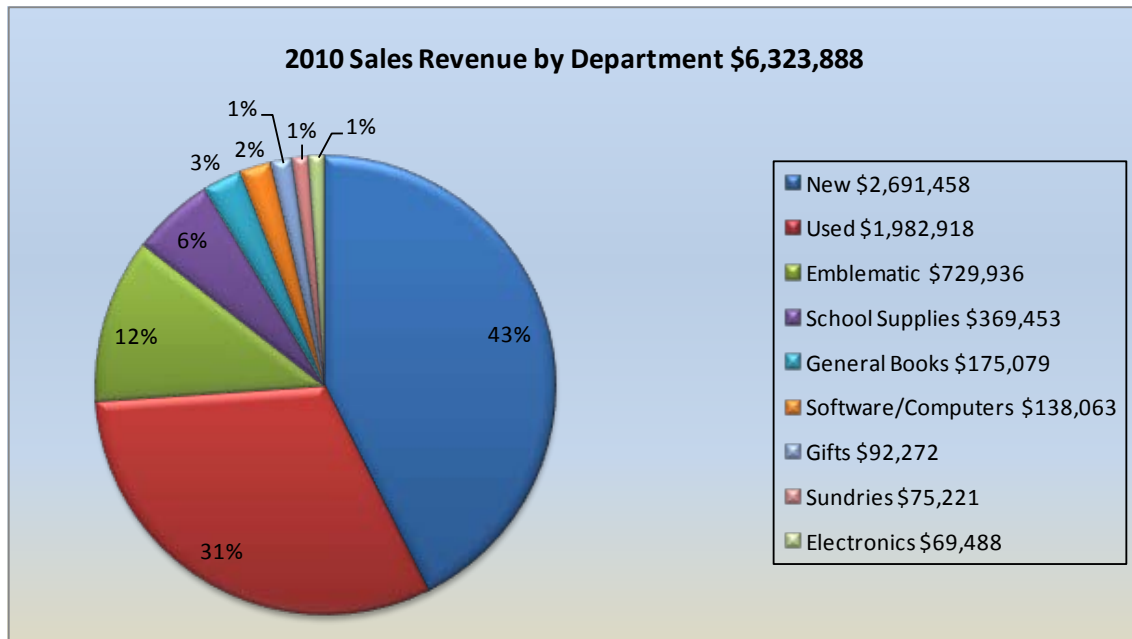
Other operating revenue decreased in fiscal 2010 by \$5,287 (-7.5%) over fiscal 2009. Fiscal 2009 had a decrease of \$48,184 (-40.7%) compared to fiscal 2008. This income consists mainly of commissions from wholesalers for books purchased from students that are not retained in the bookstore for resale. The revenue in fiscal 2008 was higher than usual because it included a transfer for two years of commissions from Apple Computer.

**Revenues by Sales Department**

Nearly three quarters of Bookstore sales are textbook sales. New and used books sales accounted for 73.9% of total sales in fiscal 2010, up slightly from fiscal 2009 when textbook sales accounted for 73.5% and 72.8% in fiscal 2008. The ICBA 2008-2009 survey indicates that among bookstores reporting, textbook sales are on average 59.3 % of total sales.

***ASSOCIATED STUDENTS BOOKSTORE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***



New book sales of \$2,691,458 increased in fiscal 2010 by \$115,585 (4.5%) over fiscal 2009, but decreased \$245,754 (-8.7%) in fiscal 2009 compared to fiscal 2008. The increase in fiscal 2010 can be attributed to a combination of the changes in instructors' choice of class material and new custom textbooks that were not available as used books. Used book sales of \$1,982,918 in fiscal 2010 were down \$89,379 (-4.3%) from sales of \$2,072,657 in fiscal 2009. This compares to an increase in sales of \$209,084 (11.2%) in fiscal 2009 compared to fiscal 2008 due to the availability of used books on hand. Because the increase in new book sales offsets the reduction in used book sales, total textbook sales increased only \$25,846 (0.5%) in fiscal 2010, compared to a decrease of \$36,670 (-0.8%) in fiscal 2009 and an increase of \$536,668 (12.9%) in fiscal 2008.

Emblematic sales increased 6.0% to \$729,936 compared to sales of \$688,700 in fiscal 2009 and \$691,391 in fiscal 2008. The increase in sales in fiscal 2010 is due in part to the new \$9.95 tee shirt program and in Spring 2010 the Bookstore increased the number of promotional events they were involved in. Emblematic sales decreased in fiscal 2009 when comparing fiscal 2008 by \$2,691 (-0.4%) due to the slowing economy.

General books sales continue to decline, with sales of \$175,079 (a decrease of 11.7%) compared to \$198,301 in fiscal 2009 and \$201,789 in fiscal 2008. This is a national trend among college bookstores given the availability of general books through large quick-ship online sources and the availability of information on the internet such as reference and travel books.

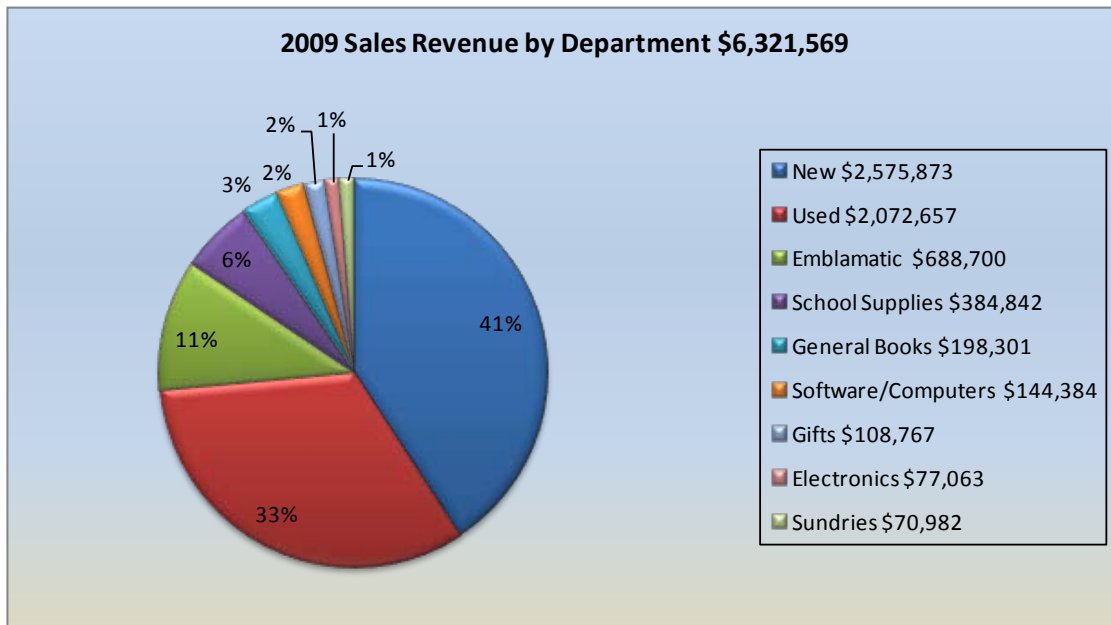
Software/Computer sales declined by \$6,321 (-4.3%) in fiscal 2010 as compared to fiscal 2009 due to changing trends in the marketplace such as electronic readers for digital books and other devices that the Bookstore currently does not carry. This revenue category declined by \$56,908 (-28.3%) in fiscal 2009 compared to fiscal 2008 as a result of the loss of Apple hardware products sales when the Bookstore's Apple relationship was discontinued in fiscal 2008 due to Apple's requirement for a full-time Apple certified technician on staff.

***ASSOCIATED STUDENTS BOOKSTORE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

Sundries sales in fiscal 2010 were \$75,221, an increase of \$4,239 (6.0%) from fiscal 2009 sales while these sales decreased \$5,131 (-6.7%) comparing fiscal 2009 to fiscal 2008. The fiscal 2010 increase resulted from a concentrated effort to stock a broader product selection.

Electronic sales, which includes calculators and other electronic devices, were \$69,488, a decrease of \$7,575 (-9.8%) from fiscal 2009. Electronic sales were \$80,985 in fiscal 2008. This decline resulted from changing media demands such as moving from more expensive zip drives to less expensive flash drives.



**Expenses by Major Source**

Total operating expenses for fiscal 2010 was \$1,470,436, an increase of \$111,765 (8.2%) from fiscal 2009. The most significant factor was an increase in salaries and benefits expense of \$144,655 (16.8%) from fiscal 2009. Salaries increased by \$88,504 (12.8%) while benefits increased \$56,151 (32.4%) during fiscal 2010. The salary increase is due to the filling of positions in fiscal 2010 that were vacant in the prior fiscal year. The increase in benefits expense was due to changes in sick leave and vacation leave accruals for new employees and the transfer of accrued benefits from another department due to a transfer of an employee to the Bookstore staff. Operating expenses decreased \$98,143 (-6.7%) in fiscal 2009 compared to fiscal 2008 primarily due to a decrease in salaries and benefits of \$119,013 (-12.1%) during fiscal 2009 compared to fiscal 2008 due to vacant positions that were not filled until fiscal 2010.

General and administrative expenses were \$242,046 in fiscal 2010, an increase of \$24,325 (11.2%) from fiscal 2009. General and administrative expenses increased \$25,797 (13.4%) to \$217,721 in fiscal 2009 compared to \$191,924 in fiscal 2008. The increase in fiscal 2010 is comprised of \$7,934 in one-time relocation expenses for the new manager and a \$14,014 increase in freight out charges due to larger returns to publishers. The increase in fiscal 2009 general and administrative expense was the result of the increase in the University's administrative assessment fee, as well as the purchase of new hand-held devices to support the Sequoia system. Each handheld unit had a cost that was below the \$5,000 threshold for capitalization. This expense was covered with nonoperating revenue provided by the ASWWU in June of 2009.

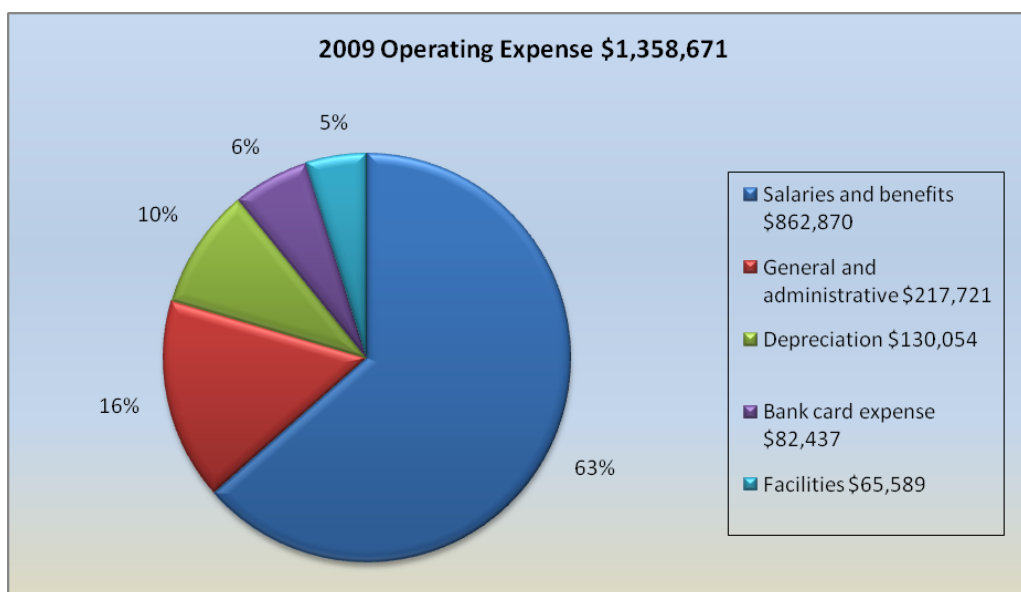
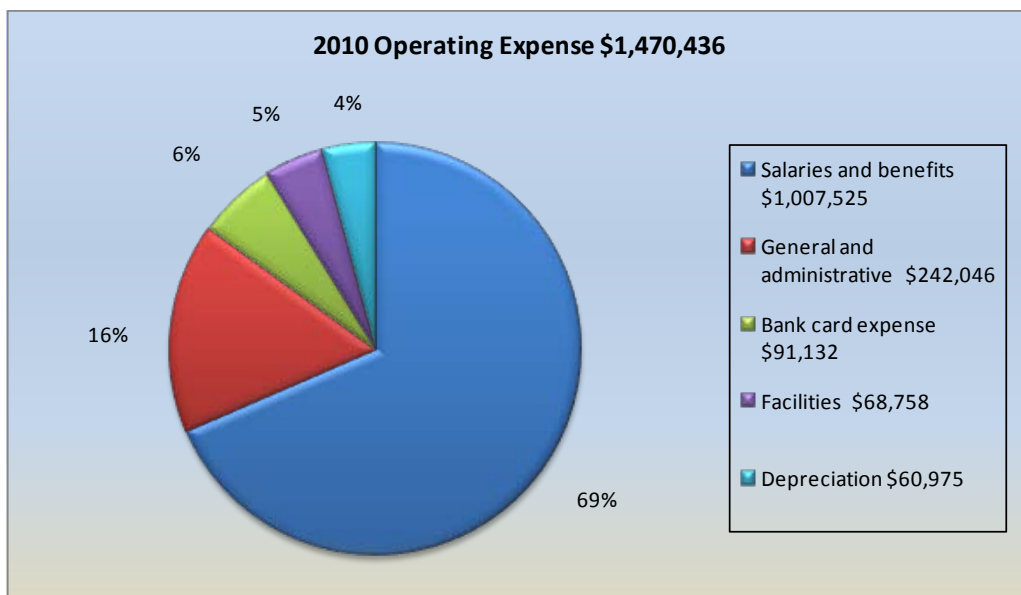


***ASSOCIATED STUDENTS BOOKSTORE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

Depreciation in fiscal 2010 was \$60,975, down \$69,079 (53.1%) as the fiscal 2005 purchase of the Sequoia system was fully depreciated in the first half of fiscal 2010. Depreciation for fiscal 2009 was \$130,054 and \$130,410 in fiscal 2008.

Total nonoperating expenses decreased by \$110,348 (-83.8%) in fiscal 2010 compared to fiscal 2009 and increased \$28,918 (28.1%) comparing fiscal 2009 to fiscal 2008. The variances during fiscal 2010 and fiscal 2009 result from a combination of lower interest earnings reflective of historically low interest rates along with no distribution payable to the ASWWU for fiscal 2010 according to the existing revenue sharing agreement which prioritizes the first \$25,000 in net revenues to be placed in the Bookstore's reserve in order to safeguard the Bookstore as a viable, self-supporting auxiliary.



***ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

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***Economic Factors and Significant Events***

This year's lower profitability highlights the importance of managing strategically in a difficult and rapidly changing industry environment. Trends during fiscal 2010 were steady sales but higher cost of goods, lower interest earnings and higher operating expenses. While some of the higher costs were one-time in nature, the Bookstore is taking steps to reduce costs of business where possible in order to maintain its 10% textbook discount for students.

For over two years, the General Manager position had been vacant but filled temporarily with existing staff performing higher level duties. Progress has been made during fiscal 2010 to implement billing of textbook purchases on students' accounts, a service that could save the Bookstore in credit card fees.

***ASSOCIATED STUDENTS BOOKSTORE  
INDEPENDENT AUDITORS' REPORT***

***June 30, 2010 and 2009***

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The Board of Trustees  
Western Washington University

We have audited the accompanying statements of net assets of Western Washington University Associated Students Bookstore (the Bookstore) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Bookstore'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 Bookstore'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.

As discussed in Note 1, the financial statements of the Bookstore are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2010 and 2009, the changes in its financial position, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bookstore as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits for the years ended June 30, 2010 and 2009 were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bookstore's basic financial statements taken as a whole. The supplementary information included on pages 24 through 27 for the years ended June 30, 2010 and 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole for the years ended June 30, 2010 and 2009.

***ASSOCIATED STUDENTS BOOKSTORE  
INDEPENDENT AUDITORS' REPORT***

***June 30, 2010 and 2009***

We have also previously audited, in accordance with generally accepted auditing standards, the statements of net assets of the Bookstore as of June 30, 2008, 2007, and 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. The supplementary information included on pages 24 through 27 related to the Bookstore's 2008, 2007, and 2006 financial statements was subjected to auditing procedures applied in the audit of those basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

**KPMG LLP**

Seattle, Washington  
October 12, 2010

**ASSOCIATED STUDENTS BOOKSTORE  
 STATEMENTS OF NET ASSETS**
***June 30, 2010 and 2009***

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$1,324,781	\$651,797
Cash and cash equivalents, restricted	430	15,578
Investments (Note 2)	465,491	559,122
Receivables (Note 3)	280,142	640,263
Inventory	710,393	966,976
Prepaid expense	2,551	-
Total current assets	<u>2,783,788</u>	<u>2,833,736</u>
Noncurrent assets		
Investments (Note 2)	-	24,134
Building improvements and equipment, net (Note 5)	1,463,330	1,515,718
Total noncurrent assets	<u>1,463,330</u>	<u>1,539,852</u>
Total assets	<u>4,247,118</u>	<u>4,373,588</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	264,371	248,567
Distribution payable to Associated Students of WWU	-	165,440
Distribution payable to WWU Athletics Department	36,497	34,435
Total current liabilities	<u>300,868</u>	<u>448,442</u>
 <b>Net Assets</b>		
Invested in capital assets	1,463,330	1,515,718
Unrestricted	2,482,490	2,393,850
Restricted, expendable	430	15,578
Total net assets	<u>\$3,946,250</u>	<u>\$3,925,146</u>

**ASSOCIATED STUDENTS BOOKSTORE**
**STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS** *June 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Sales, net of discounts	\$6,323,888	\$6,321,569
Cost of goods sold	4,875,830	4,710,880
Gross margin	<u>1,448,058</u>	<u>1,610,689</u>
<b>Other Operating Revenues</b>	64,827	70,114
<b>Operating Expenses</b>		
Salaries and benefits	1,007,525	862,870
General and administrative expense	242,046	217,721
Facilities expense	68,758	65,589
Depreciation	60,975	130,054
Bank card expense	91,132	82,437
Total operating expenses	<u>1,470,436</u>	<u>1,358,671</u>
Income from operations	42,449	322,132
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	15,152	38,182
Distribution from Associated Students of WWU	-	30,000
Distribution to Associated Students of WWU	-	(165,440)
Distribution to WWU Athletics Department	(36,497)	(34,435)
Total nonoperating expenses	<u>(21,345)</u>	<u>(131,693)</u>
Increase in net assets	21,104	190,439
<b>Total Net Assets, Beginning of Year</b>	<u>3,925,146</u>	<u>3,734,707</u>
<b>Total Net Assets, End of Year</b>	<u><u>\$3,946,250</u></u>	<u><u>\$3,925,146</u></u>

**ASSOCIATED STUDENTS BOOKSTORE**  
**STATEMENTS OF CASH FLOWS**
*June 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from students and other customers	\$6,748,836	\$6,177,320
Payments to employees	(994,562)	(871,332)
Payments to suppliers	(5,020,893)	(5,272,199)
Net cash provided by operating activities	<u>733,381</u>	<u>33,789</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Distribution from Associated Students of WWU	-	30,000
Distribution to WWU Athletics Department	(34,435)	(34,570)
Distribution to Associated Students of WWU	(165,440)	(123,110)
Net cash used in noncapital financing activities	<u>(199,875)</u>	<u>(127,680)</u>
<b>Cash Flows from Investing Activities</b>		
Investment income received	15,152	38,182
Net sales of investments in internal pool	117,765	213,769
Net cash flows provided by investing activities	<u>132,917</u>	<u>251,951</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of equipment	(8,587)	-
Net cash used in capital and related financing activities	<u>(8,587)</u>	<u>-</u>
Net increase in cash and cash equivalents	657,836	158,060
Cash and cash equivalents, beginning of year	<u>667,375</u>	<u>509,315</u>
Cash and cash equivalents, end of year	<u><u>\$1,325,211</u></u>	<u><u>\$667,375</u></u>
<b>Reconciliation of Operating Income to Net Cash Flows</b>		
<b>From Operating Activities</b>		
Income from operations	\$42,449	\$322,132
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	60,975	130,054
Change in operating assets and liabilities		
Receivables	360,121	(214,364)
Accounts payable and accrued expenses	15,804	27,620
Prepaid expense	(2,551)	-
Inventory	256,583	(231,653)
Net cash provided by operating activities	<u><u>\$733,381</u></u>	<u><u>\$33,789</u></u>

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***ASSOCIATED STUDENTS BOOKSTORE  
NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2010 and 2009***

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self supporting, auxiliary enterprise of Western Washington University (WWU). The Associated Students of WWU (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of textbooks, supplies and general merchandise.

Financial Statements Presentation

These financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). The statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations or changes in net assets of WWU.

Basis of Accounting

The Bookstore's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Bookstore has elected not to apply any FASB pronouncements after November 30, 1989.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Bookstore records their share of cash, cash equivalents and investments in the same relation as the WWU investment pool itself. Investment income is allocated to the Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due. When an account is deemed uncollectible, it is written off using the direct method and assigned to a collection agency. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on WWU property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

***ASSOCIATED STUDENTS BOOKSTORE***  
***NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2010 and 2009***

Net Assets

The Bookstore's net assets are classified as follows:

*Invested in capital assets.* This category represents the Bookstore's total investment in capital assets.

*Restricted, expendable net assets.* This category represents net assets restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

*Unrestricted net assets.* This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

*Operating revenues.* Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

*Nonoperating revenues.* Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income.

*Operating expenses.* Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

*Nonoperating expenses.* Nonoperating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

The University, and the Bookstore as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Assessment

The University provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

Reclassifications

Certain amounts related to the June 30, 2009 financial statements have been reclassified to conform to the June 30, 2010 financial statement presentation.

***ASSOCIATED STUDENTS BOOKSTORE  
 NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2010 and 2009***

**NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Interest Rate and Credit Risk

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool (LGIP). The LGIP is considered a cash equivalent.

	2010	Weighted Average Maturity	2009	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$1,325,211	n/a	\$667,375	n/a
Investments				
WWU Investment Pool	\$465,491	6.8 months	\$583,256	6.1 months

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year. The WWU pooled investment with the LGIP is invested in high-quality, short-term investments. Investments in the LGIP are restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less.

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2010 and 2009 include:

	2010	2009
Credits due from publishers	\$272,767	\$610,994
Accounts receivable	7,375	29,269
	<u>\$280,142</u>	<u>\$640,263</u>

**NOTE 4. REVENUE SHARING AGREEMENTS**

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement is in effect until June 30, 2011 when it will be renegotiated with the AS Board. There was no distribution for fiscal 2010 and a distribution of \$165,440 for fiscal 2009.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the WWU Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2010 and 2009 was \$36,497 and \$34,435 respectively.

**ASSOCIATED STUDENTS BOOKSTORE**  
**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2010 and 2009**

**NOTE 5. BUILDINGS, IMPROVEMENTS, AND EQUIPMENT**

The depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$60,975 and \$130,054, respectively.

Following are the changes in building and equipment for the years ended June 30, 2010 and 2009:

	June 30, 2009	Additions	Retirements	June 30, 2010
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	613,505	8,587	(176,312)	445,780
	<u>2,480,538</u>	<u>8,587</u>	<u>(176,312)</u>	<u>2,312,813</u>
Less accumulated depreciation	(964,820)	(60,975)	176,312	(849,483)
Building Improvements and Equipment, net	<u>\$1,515,718</u>	<u>(\$52,388)</u>	<u>\$ -</u>	<u>\$1,463,330</u>
	June 30, 2008	Additions	Retirements	June 30, 2009
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	649,108	-	(35,603)	613,505
	<u>2,516,141</u>	<u>-</u>	<u>(35,603)</u>	<u>2,480,538</u>
Less accumulated depreciation	(870,369)	(130,054)	35,603	(964,820)
Building Improvements and Equipment, net	<u>\$1,645,772</u>	<u>(\$130,054)</u>	<u>\$ -</u>	<u>\$1,515,718</u>

**NOTE 6. PENSION PLAN**

Bookstore employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service.

***ASSOCIATED STUDENTS BOOKSTORE  
NOTES TO THE FINANCIAL STATEMENTS******June 30, 2010 and 2009***

The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made.

The Bookstore contributed \$29,874 and \$43,148 to these plans in fiscal 2010 and fiscal 2009, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

**NOTE 7. OTHER POST-EMPLOYMENT BENEFITS**

The University funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. The University is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

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**SUPPLEMENTAL INFORMATION**

**ASSOCIATED STUDENTS BOOKSTORE  
 SUPPLEMENTAL INFORMATION**
**June 30, 2010 and 2009**
**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET ASSETS  
 Years ended June 30, 2010, 2009, 2008, 2007, and 2006**

Assets	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$2,783,788	\$2,833,736	\$2,407,585	\$2,016,320	\$2,312,530
Non-current assets	-	24,134	59,977	103,146	102,312
Capital Assets	1,463,330	1,515,718	1,645,772	1,776,182	1,906,905
Total assets	<u>4,247,118</u>	<u>4,373,588</u>	<u>4,113,334</u>	<u>3,895,648</u>	<u>4,321,747</u>
 Liabilities					
Accounts payable and accruals	264,371	248,567	220,947	277,058	338,701
Due to other WWU departments	36,497	199,875	157,680	31,993	179,576
Total liabilities	<u>300,868</u>	<u>448,442</u>	<u>378,627</u>	<u>309,051</u>	<u>518,277</u>
 Total Net Assets	 <u><u>\$3,946,250</u></u>	 <u><u>\$3,925,146</u></u>	 <u><u>\$3,734,707</u></u>	 <u><u>\$3,586,597</u></u>	 <u><u>\$3,803,470</u></u>
Current ratio (current assets/current liabilities)	9.25	6.32	6.36	6.52	4.46
Return on assets (change in net assets/total assets)	0.5%	4.4%	3.6%	-5.6%	1.6%



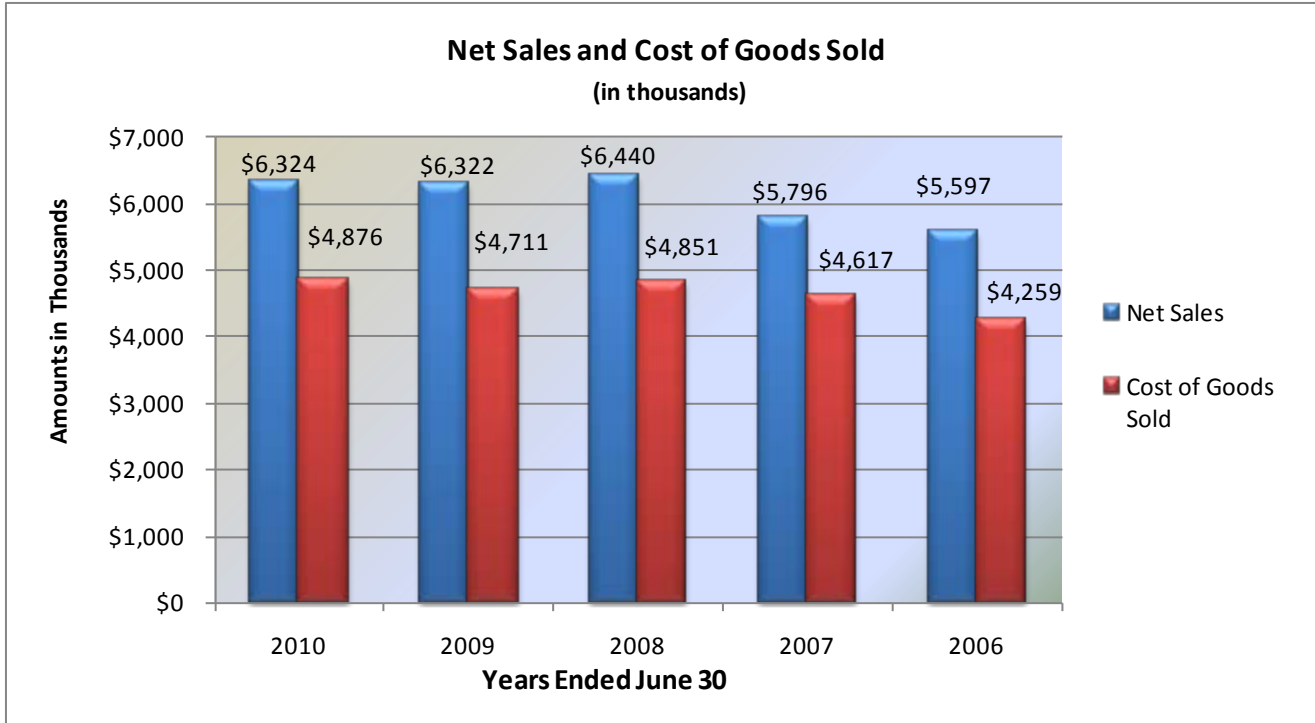
**ASSOCIATED STUDENTS BOOKSTORE  
 SUPPLEMENTAL INFORMATION**
**June 30, 2010 and 2009**
**FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES  
 Years ended June 30, 2010, 2009, 2008, 2007, and 2006**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net sales	\$6,323,888	\$6,321,569	\$6,439,936	\$5,796,136	\$5,596,555
Cost of goods sold	4,875,830	4,710,880	4,850,535	4,617,203	4,259,258
Gross profit	1,448,058	1,610,689	1,589,401	1,178,933	1,337,297
Other Operating Revenues	64,827	70,114	118,298	121,057	75,323
Operating expenses					
Salaries and benefits	1,007,525	862,870	981,883	1,036,578	993,815
General and administrative expense	242,046	217,721	191,924	237,107	194,634
Facilities expense	68,758	65,589	68,615	54,757	51,171
Depreciation	60,975	130,054	130,410	130,723	131,930
Bank card expense	91,132	82,437	83,982	80,784	77,463
Total operating expense	<u>1,470,436</u>	<u>1,358,671</u>	<u>1,456,814</u>	<u>1,539,949</u>	<u>1,449,013</u>
Income (loss) from operations	42,449	322,132	250,885	(239,959)	(36,393)
Nonoperating revenues (expenses)					
Investment income	15,152	38,182	54,905	39,579	39,394
Rental income	-	-	-	15,500	15,500
Distribution from Associated Students of WWU	-	30,000	-	-	-
Distribution to Associated Students of WWU	-	(165,440)	(123,110)	-	(150,000)
Distribution to WWU Athletics Department	(36,497)	(34,435)	(34,570)	(31,993)	(29,576)
Total nonoperating revenues (expenses)	<u>(21,345)</u>	<u>(131,693)</u>	<u>(102,775)</u>	<u>23,086</u>	<u>(124,682)</u>
Increase (decrease) in net assets	<u>\$21,104</u>	<u>\$190,439</u>	<u>\$148,110</u>	<u>(\$216,873)</u>	<u>(\$161,075)</u>
Gross profit percentage (gross profit/net sales)	22.9%	25.5%	24.7%	20.3%	23.9%

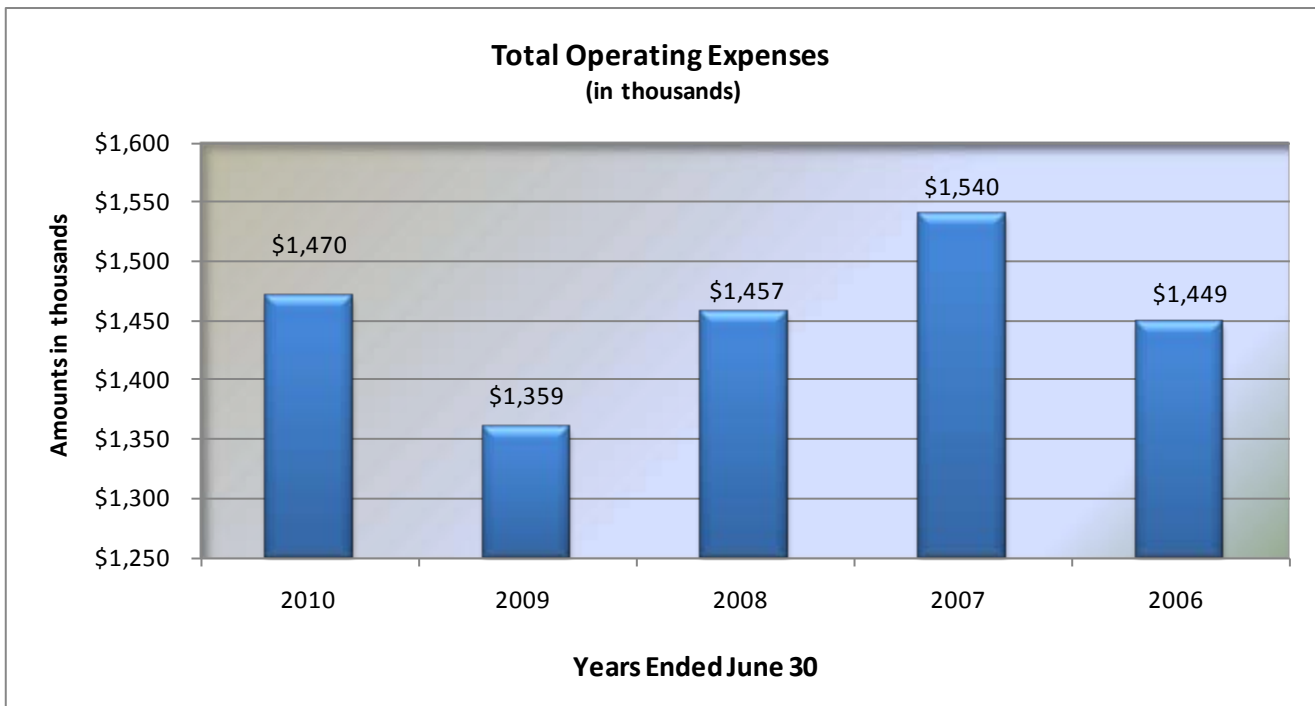
**ASSOCIATED STUDENTS BOOKSTORE  
SUPPLEMENTAL INFORMATION**

*June 30, 2010 and 2009*

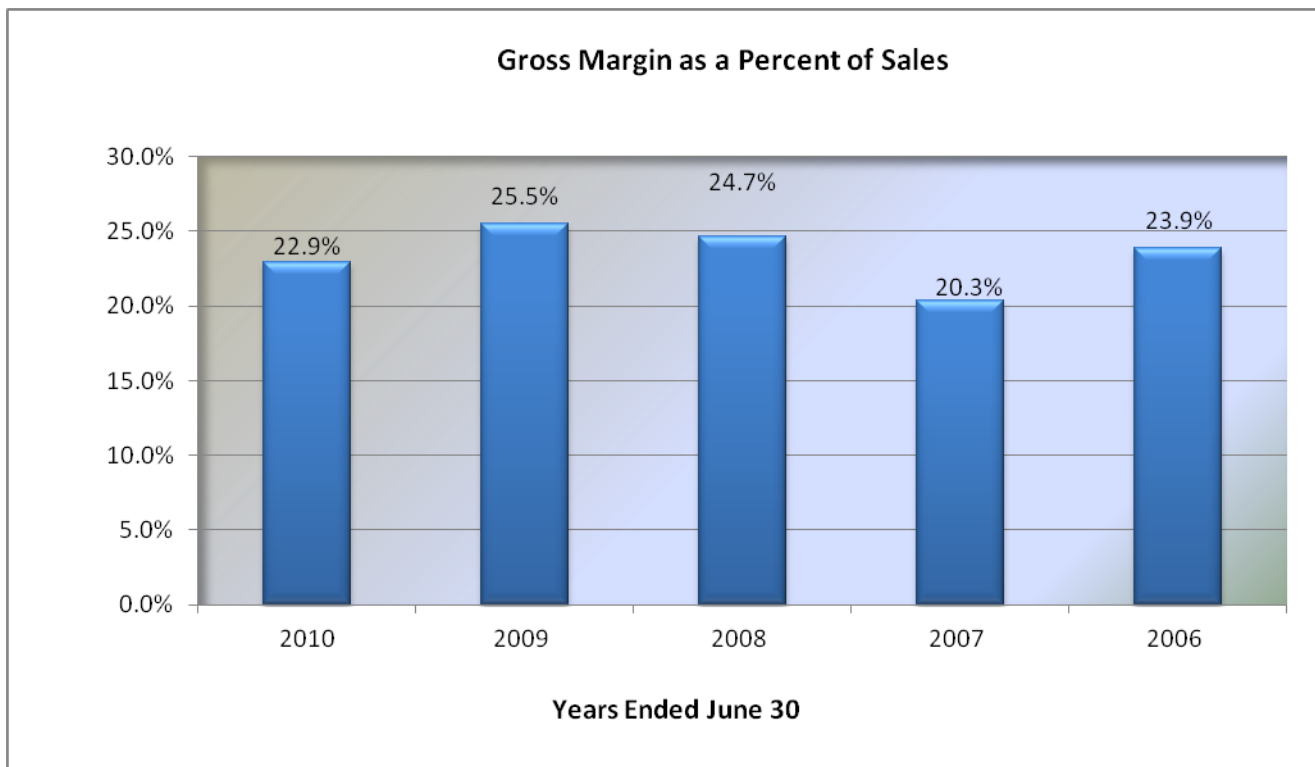
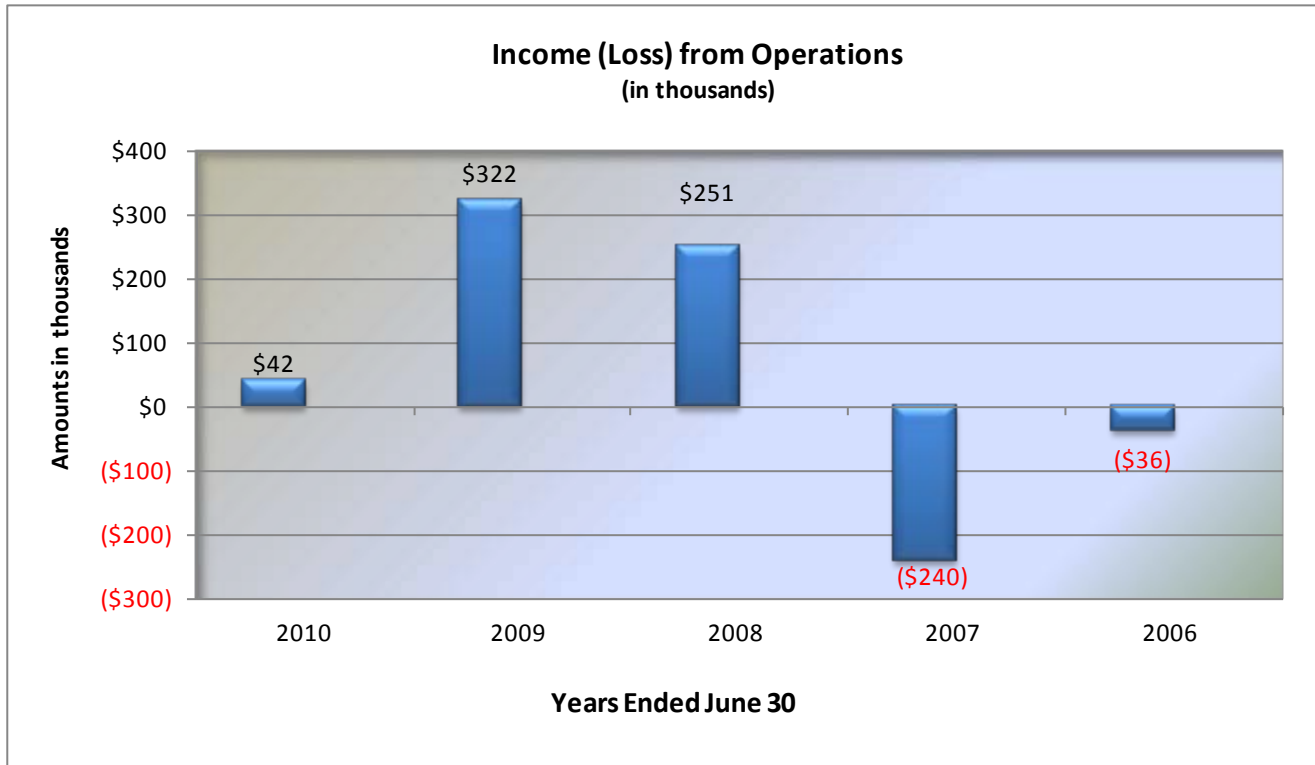
**FIVE-YEAR NET SALES AND COST OF GOODS SOLD**



**FIVE-YEAR TOTAL OPERATING EXPENSES**



**FIVE-YEAR INCOME FROM OPERATIONS AND  
GROSS MARGIN AS PERCENTAGE OF SALES**



**HOUSING AND DINING SYSTEM****Table of Contents**

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**Overview of the Financial Statements and Financial Analysis**

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Housing and Dining System (the System) for the years ended June 30, 2010, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Presentation of the Financial Statements**

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The System's financial statements have been prepared using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Statements of Net Assets**

The Statements of Net Assets present the financial condition of the System at the end of the fiscal years and report all assets and liabilities of the System.

The amounts in these statements represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. The difference between total assets and total liabilities, net assets, is one indicator of the current financial condition of the System.

Below is a condensed view of the Statements of Net Assets as of June 30, 2010, 2009 and 2008:

*(Dollars in Thousands)*

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Current Assets	\$12,231	\$9,589	\$12,939
Noncurrent assets	9,429	17,808	3,995
Capital assets, net	84,070	75,741	72,739
Total assets	<u>105,730</u>	<u>103,138</u>	<u>89,673</u>
Liabilities			
Current liabilities	7,966	6,319	7,708
Noncurrent liabilities	54,474	56,901	44,661
Total liabilities	<u>62,440</u>	<u>63,220</u>	<u>52,369</u>
Net Assets			
Invested in capital assets, net of related debt	33,060	30,928	25,943
Restricted, expendable	3,118	3,033	2,900
Unrestricted	7,111	5,957	8,461
Total net assets	<u>\$43,290</u>	<u>\$39,918</u>	<u>\$37,304</u>

Current assets increased \$2,641,970 (27.6%) in fiscal 2010 from fiscal 2009 primarily influenced by the reallocation of cash and cash equivalents based on the investment mix of Western. Additional funds were held in cash and cash equivalents due to low interest rates. Current assets decreased \$3,349,522 (-25.9%) in fiscal

**HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS*****June 30, 2010 and 2009***

2009 from fiscal 2008 primarily due to the planned spending of cash on renovations. Total assets increased \$2,591,263 (2.5%) from fiscal 2009 influenced by the expenditure of bond proceeds and the addition of capital assets. In fiscal 2009, total assets increased \$13,465,651 (15.0%) over fiscal 2008 due to the addition of capital assets relating to the Buchanan Towers remodel adding 100 beds and the addition of capital projects as listed in the supplemental section.

Noncurrent assets decreased \$8,379,129 (-47.1%) over fiscal 2009 due to the spending of bond proceeds on the Buchanan Towers remodel and the investing of more funds in cash and cash equivalents. Noncurrent assets increased \$13,812,684 (345.7%) over fiscal 2008 due to the issuance of \$14,280,000 in bonds on June 30, 2009.

Capital assets increased \$8,328,422 (11.0%) between fiscal 2010 and fiscal 2009 and \$3,002,489 (4.1%) between fiscal 2009 and fiscal 2008, primarily due to completed buildings and additional construction in progress in both years.

Major projects completed during fiscal 2010 include fire sprinkler installation (Phase 2) in the Fairhaven residential complex, the commencement of the Buchanan Towers sprinkler addition and the renovation of three retail dining venues. Major projects completed in fiscal 2009 included Gamma Hall sprinkler installation, Phase 1 of the Fairhaven sprinkler installation, and Edens North seismic upgrade. The planning and revenue bond sale for the new residence hall project at Buchanan Towers occurred in fiscal 2009.

Current liabilities increased by \$1,646,462 (26.1%) in fiscal 2010 primarily due to the receipt of contractor invoices for capital projects that was accrued at June 30, 2010. The decrease of \$1,389,292 (-18.0%) between fiscal 2009 and fiscal 2008 was primarily due to a decrease in invoices payable and deferred revenue. Long term liabilities decreased \$2,426,701 (-4.3%) in fiscal 2010 due to scheduled principal payments made on outstanding debt. The increase between fiscal 2009 and fiscal 2008 of \$12,240,289 (27.4%) is due to the June 2009 revenue bond sale offset by scheduled principal payments made on outstanding debt.

Total net assets increased \$3,371,502 (8.4%) when compared to fiscal 2009. This is a direct result of unrestricted net assets increasing \$1,153,863 (19.47%). This increase is largely due to a reduction in operating expenses offset by an increase in nonoperating expenses related to interest payments on the June 2009 bond issue. Invested in capital assets, net of related debt increased by \$2,132,405 (6.9%) due to the capitalization of renovation expenses related to the Buchanan Towers residence facility, reduced by principal payments on outstanding bond issues and the spending of the June 2009 bond proceeds. The increase in net assets of \$2,614,654 (7.0%) between fiscal 2009 and fiscal 2008 was primarily due to the capitalization of in-process and completed projects undertaken by the System.

**Statements of Revenues, Expenses and Changes in Net Assets**

The changes in total net assets, as presented on the Statements of Net Assets, are detailed in the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. The statements present the System's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

**HOUSING AND DINING SYSTEM  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010 and 2009**

Nonoperating revenues are monies received for which goods and services are not provided, such as investment income. Non operating expenses include interest expense on outstanding debt and amortization of bond costs. Total operating revenue remained fairly stable overall in spite of an increase to the room and board rate for fiscal 2010. Changes were made in how food service revenues and expenses are recorded, resulting in decreased revenue offset by a decrease in associated expense. This change has Sodexo being paid directly for food and catering services rather than the expenses running through the Housing and Dining System.

Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2010, 2009 and 2008:

*(Dollars in thousands)*

	2010	2009	2008
Operating Revenues	\$33,535	\$33,864	\$30,545
Operating Expenses	<u>(27,630)</u>	<u>(29,356)</u>	<u>(26,760)</u>
Income from operations	5,905	4,508	3,785
Nonoperating Revenues	478	407	774
Nonoperating Expenses	<u>(3,011)</u>	<u>(2,301)</u>	<u>(2,389)</u>
Increase in Net Assets	3,372	2,614	2,170
Net Assets, Beginning of year	<u>39,918</u>	<u>37,304</u>	<u>35,134</u>
Net Assets, End of year	<u>\$43,290</u>	<u>\$39,918</u>	<u>\$37,304</u>

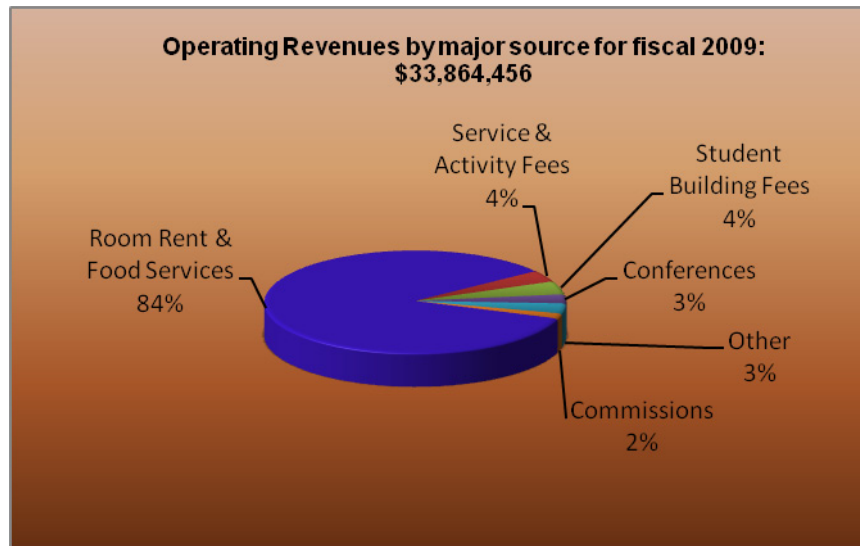
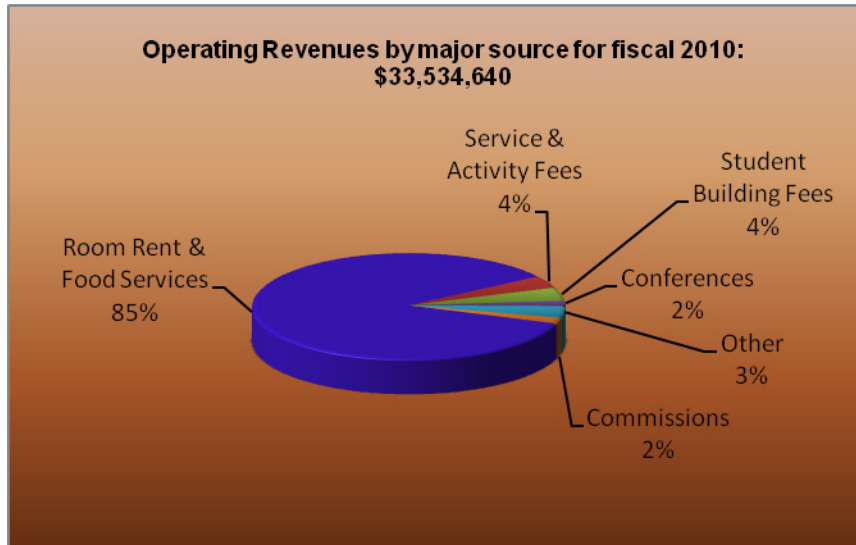
The System's largest revenue source is room rent and food services totaling \$28,573,696 (85.2%) of the System's operating revenue in fiscal 2010, compared to \$28,606,445 (84.5%) in fiscal 2009 and \$25,535,649 (83.6%) in fiscal 2008.

Room and food service revenues decreased \$32,749 (-0.1%) from the prior year and increased \$3,070,796 (12.0%) when comparing fiscal 2009 to fiscal 2008. The decrease between fiscal 2010 and fiscal 2009 is due to the change in the revenue and expense recording for food service provided by Sodexo. The room rental rate increased 4.8% over fiscal 2009 and 4.5% over fiscal 2008, consistent with approved rate increases.

The primary offsets to the room and board rate increase was a decrease in annual average residence hall occupancy of 91 students, and a reduction in food service related revenues, and corresponding expense, from the shifting to the dining contractor of discretionary dining dollar purchases, and the invoicing of conference-related food purchases.

Residence hall occupancy decreased 2.8% from fiscal 2009 and increased 1.3% between fiscal 2009 and fiscal 2008. Birnam Wood and leased apartment occupancy decreased 2.2% from fiscal 2009 and increased 11.6% between fiscal 2009 and fiscal 2008.





Overall operating expenses were down \$1,725,746 (-5.9%) in fiscal 2010 compared with fiscal 2009, due to the change in how food service revenues were recorded by the System and expenses were charged by Sodexo as well as significantly lower expenses in utilities and non-capitalizable renewals and replacements. The increase of \$2,595,631 (9.7%) when comparing fiscal 2009 to fiscal 2008 is largely due to an increase in meal plan expenses from a new meal plan structure and increased occupancy, and increases in depreciation and non-capitalized renewals and replacements.

Cost of food services decreased \$931,610 (-8.4%) from fiscal 2009 and increased \$1,739,168 (18.6%) comparing fiscal 2009 to fiscal 2008. The decrease in fiscal 2010 is primarily due to a change in how discretionary dining dollars purchases and conference food plans were managed. There was an average increase in meal plans sold of 124 or 3.5% over fiscal 2009 primarily due to the creation of a new “commuter” meal plan. Meal plan rates increased an average 2% over fiscal 2009. The increase in cost of food services in fiscal 2009 compared to fiscal 2008 is due to a change in the meal plan structure from “unlimited” plans to “block” plans

**HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS****June 30, 2010 and 2009**

where students receive a certain number of meals each quarter, coupled with a slight rate increase from University Dining services and increases in residence hall occupancy and voluntary meal plan sales.

Salaries and benefits decreased \$36,371 (-0.6%) from fiscal 2009 due primarily to planned staffing reductions in the custodial and residence life units, and increased \$168,094 (2.8%) in fiscal 2009 over fiscal 2008 primarily due to State of Washington cost of living increases and increased benefit expenses offset by some unfilled vacant positions. There were no state wage increases in fiscal 2010.

Utilities expense decreased \$364,719 (-13.0%) from fiscal 2009 and increased \$25,495 (0.9%) between fiscal 2009 and fiscal 2008. The largest portion of the decrease in fiscal 2010 was due to the strategic purchase of natural gas. The change between fiscal 2009 and fiscal 2008 is attributable to higher rates during fiscal 2009 for electricity and water/sewer service than in fiscal 2008.

Repairs and maintenance expense increased \$22,954 (1.1%) over fiscal 2009 compared to an increase of \$91,089 (4.5%) between fiscal 2009 and fiscal 2008. There were no large unanticipated incidents in fiscal 2010. The increase in fiscal 2009 is attributable to increased labor and materials costs and the unanticipated repair due to the flooding of a residence hall.

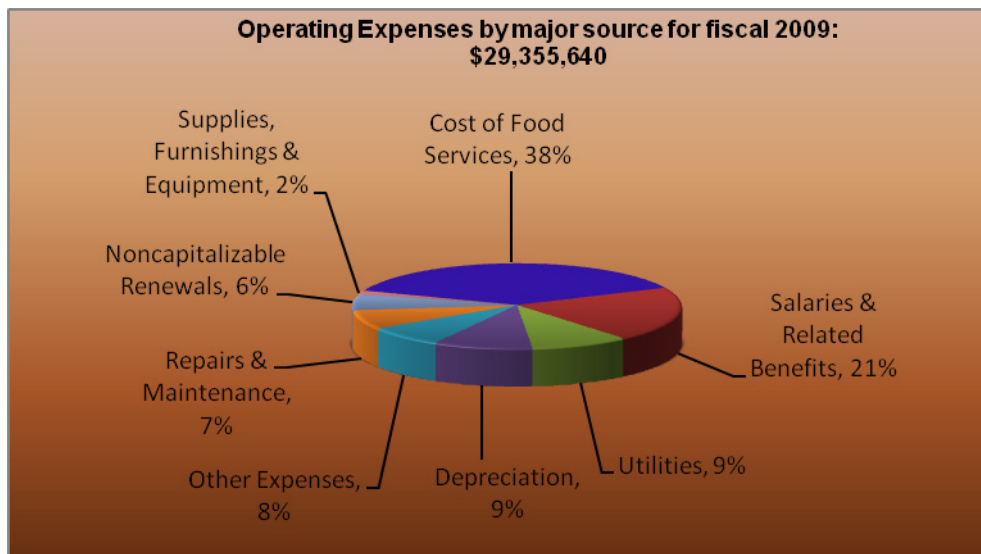
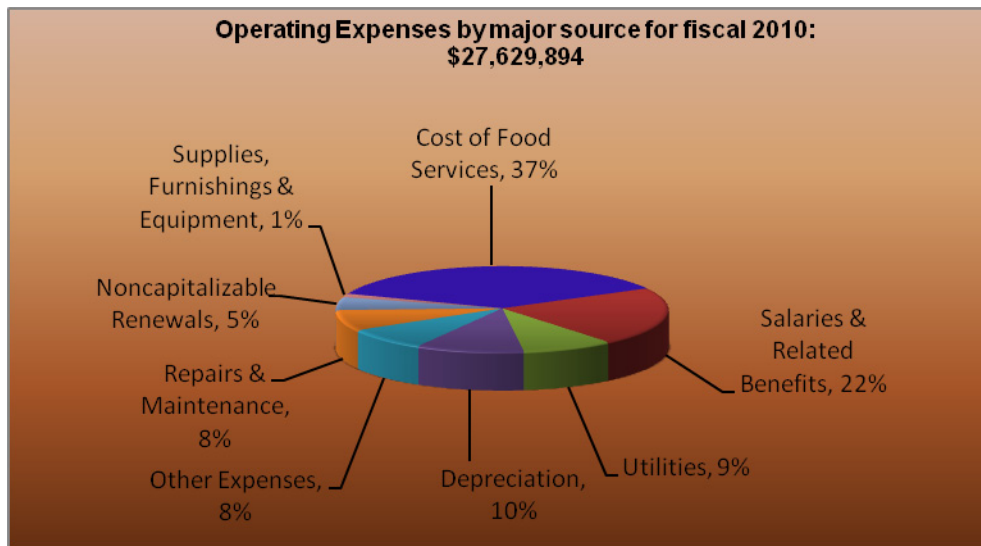
Depreciation expense increased \$41,407 (1.5%) over fiscal 2009 and \$218,644 (8.3%) comparing fiscal 2009 to fiscal 2008 due to the addition of completed buildings and projects.

Nonoperating expenses increased \$709,673 (30.8%) in fiscal 2010 compared to a decrease between fiscal 2009 and fiscal 2008 of \$88,728, (-3.7%) as bond amortization and interest expense increased from the issuance of bonds in late June 2009 for the Buchanan Towers addition. The decrease between fiscal 2009 and fiscal 2008 relates to a decrease in interest expense on outstanding bonds as they are paid down.

Nonoperating revenue increased \$70,591 (17.3%) as the result of interest subsidies of \$239,815 received during fiscal 2010 from the Build America Bonds that were issued in fiscal 2009 combined with a \$169,224 (-41.6%) decrease in investment income. Nonoperating revenues decreased \$367,127 (-47.4%) from fiscal 2008 primarily due to lower investment income.

Other expenses decreased \$111,704 (-13.1%) between fiscal 2010 and fiscal 2009 and increased \$205,031 (31.7%) when comparing fiscal 2009 to fiscal 2008. The decrease in fiscal 2010 can be attributed to the System no longer leasing the Viking Gardens apartments, a decrease in printing with a shift to less expensive formats, a decrease in laundry expense as these services were brought in-house from a 3<sup>rd</sup> party, and a reduction in travel due to State travel restrictions of. The increase in fiscal 2009 is due to an increase of in building rents for leased housing stock (New York Apartments) offset by a decrease in training and travel and an increase in the support for the University Dietician from Sodexo.

WWU's administrative services assessment fee (included in Institutional services) increased \$124,484 or 21.5% compared to an increase of \$101,126 or 21.0% between fiscal 2009 and fiscal 2008. The rate charged against System revenues (less food service contract) was 3.25% in fiscal 2010, 2.75% in fiscal 2009 and 2.25% in fiscal 2008.



**Economic Factors and Significant Events**

WWU's fiscal 2010 enrollment continued a trend of gradual growth, with Fall Quarter headcount enrollment increasing 0.1% over fiscal 2009 and 3.2% for fiscal 2008. After the unexpected peak in on-campus housing demand for fall 2008, demand for occupancy in fiscal 2009 was reduced by a planned 100 occupants. Management plans to address housing demand independent of enrollment through room capacity practices and changes in leased bed volume.

The System is on track with its 10-year capital plan for renovations such as fire sprinkler installation, seismic upgrades, and general upgrades for residential and dining facilities. One new retail dining venue and two renovated venues are scheduled for completion in September 2010.

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2005); to guide the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement

***HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

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Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System exceeded the minimum requirements established within these principles. The Board periodically reviews the principles to ensure ongoing compliance.

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The Board of Trustees  
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Housing & Dining System (the System) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the System'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 System'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.

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2010 and 2009, the changes in its financial position, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 28 through 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

**KPMG LLP**

Seattle, Washington  
October 12, 2010

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**HOUSING AND DINING SYSTEM  
 STATEMENTS OF NET ASSETS**
**June 30, 2010 and 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current assets		
Cash and cash equivalents (Note 2)	\$8,757,646	\$5,035,588
Investments (Note 2)	3,088,835	4,305,824
Accounts receivable, net of allowance of \$27,110 and \$24,778 in 2010 and 2009, respectively	155,006	129,837
Interest receivable	131,333	76,591
Other receivables	95,035	38,539
Inventory	3,365	2,871
Total current assets	<u>12,231,220</u>	<u>9,589,250</u>
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	6,044,593	14,200,292
Restricted investments (Note 2)	2,812,169	2,780,142
Investments (Note 2)	-	185,856
Capital assets, net (Note 3)	84,069,700	75,741,278
Other assets (Note 1)	571,850	641,451
Total noncurrent assets	<u>93,498,312</u>	<u>93,549,019</u>
Total assets	<u>105,729,532</u>	<u>103,138,269</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable	2,064,098	756,981
Accrued expenses	562,349	584,604
Residents' housing deposits	1,236,930	1,256,033
Deferred revenue	876,026	1,075,814
Bonds interest payable	646,258	425,767
Current portion of bonds payable (Note 4)	2,580,000	2,220,000
Total current liabilities	<u>7,965,661</u>	<u>6,319,199</u>
Bonds payable, less current portion (Note 4)	<u>54,474,030</u>	<u>56,900,731</u>
Total liabilities	<u>62,439,691</u>	<u>63,219,930</u>
 <b>Net Assets</b>		
Invested in capital assets, net of related debt	33,060,263	30,927,858
Restricted, expendable	3,117,984	3,032,750
Unrestricted	7,111,594	5,957,731
Total net assets	<u>\$43,289,841</u>	<u>\$39,918,339</u>



**HOUSING AND DINING SYSTEM**  
**STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS**
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Room rent and food services	\$28,573,696	\$28,606,445
Service and activity fees	1,264,473	1,253,082
Student building fees	1,364,176	1,422,069
Conferences	548,254	965,216
Viking Union income	156,103	171,172
Contribution for dining services	300,000	300,000
Rent	135,166	129,710
Commissions	601,896	538,496
Fees, penalties, and other income	590,876	478,266
Total operating revenue	<u>33,534,640</u>	<u>33,864,456</u>
<b>Operating Expenses</b>		
Cost of food services	10,133,715	11,065,325
Salaries and related benefits	6,036,846	6,073,217
Utilities	2,447,093	2,811,812
Repairs and maintenance	2,131,965	2,109,011
Communications	299,512	327,474
Insurance	437,089	354,572
Supplies	247,745	268,035
Furniture and equipment	133,560	184,568
Institutional services	804,073	718,574
Depreciation	2,879,799	2,838,392
Noncapitalizable renewals and replacements	1,338,921	1,753,380
Other	739,576	851,280
Total operating expenses	<u>27,629,894</u>	<u>29,355,640</u>
Income from operations	5,904,746	4,508,816
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	238,053	407,277
Build America Bonds interest subsidy	239,815	-
Interest expense	(2,788,212)	(2,093,705)
Amortization of bond discounts and costs	(222,900)	(207,734)
Total nonoperating expenses	<u>(2,533,244)</u>	<u>(1,894,162)</u>
Increase in net assets	3,371,502	2,614,654
<b>Net Assets, Beginning of Year</b>	<u>39,918,339</u>	<u>37,303,685</u>
<b>Net Assets, End of Year</b>	<u>\$43,289,841</u>	<u>\$39,918,339</u>

**HOUSING AND DINING SYSTEM  
 STATEMENTS OF CASH FLOWS**
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from students and other customers	\$33,219,073	\$33,572,371
Cash paid to employees	(6,059,101)	(6,058,458)
Cash paid to suppliers	(18,851,907)	(22,073,910)
Net cash flows provided by operating activities	<u>8,308,065</u>	<u>5,440,003</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payment of long-term debt	(2,220,000)	(2,135,000)
Proceeds from bond issue	-	14,307,311
Interest payments	(2,567,721)	(2,294,757)
Build Amerca Bonds interest subsidy	239,815	-
Purchase of capital assets	(9,762,940)	(5,363,683)
Net cash flows (used in) provided by capital and related financing activities	<u>(14,310,846)</u>	<u>4,513,871</u>
<b>Cash Flows from Investing Activities</b>		
Investment income received	183,311	360,752
Net (loss) proceeds of restricted investments	(32,027)	90,301
Receipt of payment on note receivable	15,011	15,011
Sales of investments in internal pool	1,402,845	3,617,762
Net cash flows provided by investing activities	<u>1,569,140</u>	<u>4,083,826</u>
Net change in cash and cash equivalents	(4,433,641)	14,037,700
Cash and Cash Equivalents, Beginning of Year	<u>19,235,880</u>	<u>5,198,180</u>
Cash and Cash Equivalents, End of Year	<u>\$14,802,239</u>	<u>\$19,235,880</u>
<b>Reconciliation of Operating Income to Net Cash Provided to Operating Activities</b>		
Operating income	5,904,746	4,508,816
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	2,879,799	2,838,392
Change in operating assets and liabilities		
Accounts receivable	(25,169)	30,966
Other receivables	(71,507)	(2,584)
Inventory	(494)	(1,405)
Accounts payable	(138,164)	(1,628,474)
Accrued salaries and benefits	(22,255)	14,759
Residents' housing deposits	(19,103)	56,033
Deferred revenue	(199,788)	(376,500)
Cash flows from operating activities	<u>\$8,308,065</u>	<u>\$5,440,003</u>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities</b>		
Change in capital asset additions included in accounts payable	<u>\$1,445,281</u>	<u>\$477,198</u>

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Organization

Western Washington University Housing and Dining System (the System) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The System operates residence halls and dining commons, an apartment complex, the Commissary/Warehouse, the Viking Union Complex and Lakewood Recreational Facility. These operations are located on or near the WWU campus.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles (GAAP) and follow guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the System. The financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net assets of WWU.

Basis of Accounting

The System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The System has elected not to apply any FASB pronouncements issued after November 30, 1989.

Cash, Cash Equivalents, and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The System records their share of cash, cash equivalents and investments in the same relation as the WWU investment pool itself. Investment income is allocated to the System in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are primarily from students of WWU and are unsecured. The System considers all accounts past due when they remain unpaid after their due dates. An allowance based on historical collection rates is established for recognizing potential bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

The capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. The basis of valuation for assets purchased or constructed is cost. The costs of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and building improvements, 20 to 25 years for infrastructure and other improvements, and 5 to 7 years for furniture, fixtures, and equipment.

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress over the same period. Interest of \$176,208 and \$0 was capitalized during fiscal 2010 and 2009, respectively.

#### Deferred Revenue

Summer quarter, which is the first quarter of Western's fiscal year, begins shortly before June 30. Room and board charges related to fiscal year 2011 are deferred until the following fiscal year. Deferred revenue also includes \$600,000 and \$900,000 for 2010 and 2009, respectively, in funds received from Sodexo that are being amortized on a straight-line basis over ten years.

#### Net Assets

The System's net assets are classified as follows:

- *Invested in Capital Assets, Net of Related Debt* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted, Expendable* - Restricted net assets represent resources restricted by bond covenants for system renewals and replacements.
- *Unrestricted Net Assets* - Unrestricted net assets represent resources derived from operations and investing activities. The System has internally designated \$4,934,530 and \$4,173,001 of this balance at June 30, 2010 and 2009, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

#### Classification of Revenues and Expenses

The System has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Operating expenses. Operating expenses are those incurred in daily operations such as salaries and wages, benefits, utilities and supplies.

Nonoperating revenues. Nonoperating revenues include activities that have the characteristics of non-exchange transactions such as investment income.

Nonoperating expenses. Non operating expenses include costs related to financing or investing activities such as interest on indebtedness and amortization of bond costs.

#### Bond Premiums/Discounts and Issuance Costs

Bond premiums/discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Assets net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statement of Net Assets.

**HOUSING AND DINING SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2010 and 2009**

Administrative Assessment

WWU provides support to the System through cash management, accounting, purchasing and Accounts Payable services, risk management, and other support services. The effects of these transactions are included as other expenses in these financial statements. The amount paid was \$702,771 and \$578,287 for the years ending June 30, 2010 and 2009, respectively.

Tax Exemptions

WWU, and the System as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under the provisions of Section 115(a) of the Internal Revenue Code and are exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts related to the June 30, 2009 financial statements have been reclassified to conform to the June 30, 2010 financial statement presentation.

**NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Interest Rate and Credit Risk

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool (LGIP). The LGIP is considered a cash equivalent.

	June 30, 2010	Weighted Average Maturity	June 30, 2009	Weighted Average Maturity
<b>Cash and cash equivalents</b>				
WWU Investment Pool	\$8,757,646	n/a	\$5,035,588	n/a
LGIP (unspent bond proceeds)	6,044,593	n/a	14,200,292	n/a
<b>Investments</b>				
WWU Investment Pool	3,088,835	6.8 months	4,491,680	6.1 months
Certificates of Deposit	2,812,169	18.1 months	2,780,142	14.5 months
	<u>\$20,703,243</u>		<u>\$26,507,702</u>	

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year.

The WWU pooled investments with the LGIP is invested in high-quality, short-term investments. Investments in the LGIP are restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less.

**HOUSING AND DINING SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

Restricted cash, cash equivalents and investments include the following:

	<u>2010</u>	<u>2009</u>
Renewal and replacements	\$2,812,169	\$ 2,780,142
Unspent bond proceeds restricted for capital projects	<u>6,044,593</u>	<u>14,200,292</u>
	<u>\$8,856,762</u>	<u>\$16,980,434</u>

**NOTE 3. CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$2,879,799 and \$2,838,392, respectively.

Following are the changes in capital assets for the year ended June 30, 2010:

Description	June 30, 2009	Additions	Retirements	Transfers	June 30, 2010
Buildings	\$89,184,792	\$ -	\$ -	\$ -	\$89,184,792
Buildings improvements	14,126,600	1,226,982	-	2,771,126	18,124,708
Furniture, fixtures, and equipment	1,778,593	143,909	(310,566)	-	1,611,936
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	4,812,350	9,837,330	-	(2,771,126)	11,878,554
Total cost	<u>114,394,899</u>	<u>11,208,221</u>	<u>(310,566)</u>	<u>-</u>	<u>125,292,554</u>

**Accumulated Depreciation**

Buildings	34,266,555	1,925,393	-	-	36,191,948
Buildings improvements	2,120,207	651,122	-	-	2,771,329
Furniture, fixtures, and equipment	1,080,923	175,167	(310,566)	-	945,524
Infrastructure	1,185,936	128,117	-	-	1,314,053
Total accumulated depreciation	<u>38,653,621</u>	<u>2,879,799</u>	<u>(310,566)</u>	<u>-</u>	<u>41,222,854</u>
Capital assets, net	<u>\$75,741,278</u>	<u>\$8,328,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$84,069,700</u>

**HOUSING AND DINING SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

Following are the changes in capital assets for the year ended June 30, 2009:

Description	June 30, 2008	Additions	Retirements	Transfers	June 30, 2009
Buildings	\$89,184,792	\$ -	\$ -	\$ -	\$89,184,792
Buildings improvements	11,064,189	2,359,855	-	702,556	14,126,600
Furniture, fixtures, and equipment	1,585,619	192,974	-	-	1,778,593
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	2,226,854	3,298,298	-	(712,802)	4,812,350
Total cost	108,554,018	5,851,127	-	(10,246)	114,394,899
Accumulated Depreciation					
Buildings	32,340,994	1,925,561	-	-	34,266,555
Buildings improvements	1,492,683	627,524	-	-	2,120,207
Furniture, fixtures, and equipment	923,734	157,189	-	-	1,080,923
Infrastructure	1,057,818	128,118	-	-	1,185,936
Total accumulated depreciation	35,815,229	2,838,392	-	-	38,653,621
Capital assets, net	\$72,738,789	\$3,012,735	\$ -	(\$10,246)	\$75,741,278

**NOTE 4. BONDS PAYABLE**

In accordance with bond covenants, a Renewal and Replacement (R&R) Fund has been established to pay extraordinary operating and maintenance expenses; to make capital replacements, expansions, additions, repairs and renewals of the System; and to pay bond principal and interest to the extent other funds are not legally available. The balance of the R&R Fund must equal at least 5% of the principal balance of outstanding bonds.

Bond covenants also require that the System pledge net revenue (as defined) in each fiscal year at least equal to the greater of (i) 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (ii) amounts required to be deposited during such fiscal year from net revenues into debt service and reserve funds established for outstanding bonds and into the R&R Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

On June 12, 2009, the Board of Trustees approved Resolution No. 2009-09, authorizing the issuance of revenue bonds, Series 2009 A&B Housing and Dining Revenue Bonds. On June 27, 2009, the System issued \$14,280,000 in revenue bonds with interest rates ranging from 3.0 to 7.4% to finance the addition to the Buchanan Towers residence facility. Of the \$14,280,000 in revenue bonds issued, \$12,835,000 are Build America Bonds (BABs), offering a taxable, higher rate of return for investors offset by a Federal government subsidy to the issuer.



**HOUSING AND DINING SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

	<u>2010</u>	June 30, <u>2009</u>
Series 2009 A & B Housing and Dining Revenue Bonds with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from \$270,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$14,280,000 at June 30, 2010 which is reported net of the unamortized original issue premium of \$20,417.	\$14,300,417	\$14,307,311
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$350,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$8,280,000 at June 30, 2010 which is reported net of the unamortized original premium of \$40,338.	8,320,338	8,689,901
Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates range from 3.375% to 4.50%, and principal payments due in annual amounts ranging from \$115,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$12,045,000 at June 30, 2010, which is reported net of the unamortized original discount and loss on defeasance of \$974,725.	11,070,275	11,085,223
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65%, and principal payments due in annual \$650,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$11,505,000 at June 30, 2010, which is reported net of the unamortized original issue discount and loss on defeasance of \$146,118.	11,358,882	11,988,440
Series 1999 Housing and Dining Junior Lien Revenue Bonds, with interest rates ranging from 5.2% to 6.0%, and principal payments due in annual amounts that range from \$420,000 to \$420,000 through June 1, 2010. The Series 1999 bonds have an aggregate face value of \$0 at June 30, 2010, which is reported net of the unamortized original issue discount of \$0.	-	416,960
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds, with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from \$670,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$12,325,000 at June 30, 2010, which is reported net of the unamortized original issue premium and loss on defeasance of \$320,882.	12,004,118	12,632,896
	\$57,054,030	\$59,120,731
Less current portion	<u>(2,580,000)</u>	<u>(2,220,000)</u>
	<u>\$54,474,030</u>	<u>\$56,900,731</u>

**HOUSING AND DINING SYSTEM**  
**NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

Following are the changes in long-term liabilities for the year ended June 30, 2010:

Bonds Payable	June 30, 2009	Additions	Reductions	June 30, 2010	Current Portion
Series 2009 Revenue Bonds	14,280,000	-	-	14,280,000	270,000
Series 2006 Revenue Bonds	8,645,000	-	(365,000)	8,280,000	375,000
Series 2005 Refunding Bonds	12,160,000	-	(115,000)	12,045,000	560,000
Series 2003 Revenue and Refunding Bonds	12,155,000	-	(650,000)	11,505,000	655,000
Series 1999 Junior Lien Revenue Bonds	420,000	-	(420,000)	-	-
Series 1998 Junior Lien Revenue Refunding	12,995,000	-	(670,000)	12,325,000	720,000
	<u>60,655,000</u>	-	<u>(2,220,000)</u>	<u>58,435,000</u>	<u>2,580,000</u>
Plus unamortized premium	289,829	-	(39,480)	250,348	-
Less unamortized discount	(228,377)	-	26,079	(202,298)	-
Less unamortized deferred loss	<u>(1,595,721)</u>	-	<u>166,700</u>	<u>(1,429,021)</u>	-
Total Long-term liabilities	<u>59,120,731</u>	-	<u>(2,066,701)</u>	<u>57,054,030</u>	<u>2,580,000</u>

Following are the changes in long-term liabilities for the year ended June 30, 2009:

Bonds Payable	June 30, 2008	Additions	Reductions	June 30, 2009	Current Portion
Series 2009 Revenue Bonds	-	14,280,000	-	14,280,000	-
Series 2006 Revenue Bonds	8,995,000	-	(350,000)	8,645,000	365,000
Series 2005 Refunding Bonds	12,275,000	-	(115,000)	12,160,000	115,000
Series 2003 Revenue and Refunding Bonds	12,780,000	-	(625,000)	12,155,000	650,000
Series 1999 Junior Lien Revenue Bonds	820,000	-	(400,000)	420,000	420,000
Series 1998 Junior Lien Revenue Refunding	13,640,000	-	(645,000)	12,995,000	670,000
	<u>48,510,000</u>	<u>14,280,000</u>	<u>(2,135,000)</u>	<u>60,655,000</u>	<u>2,220,000</u>
Plus unamortized premium	296,648	27,311	(34,130)	289,829	-
Less unamortized discount	(253,501)	-	25,124	(228,377)	-
Less unamortized deferred loss	<u>(1,757,705)</u>	-	<u>161,984</u>	<u>(1,595,721)</u>	-
Total Long-term liabilities	<u>46,795,442</u>	<u>14,307,311</u>	<u>(1,982,022)</u>	<u>59,120,731</u>	<u>2,220,000</u>

Total interest incurred on bonds payable for the years ended June 30, 2010 and June 30, 2009 was \$2,788,212 and \$2,093,705, respectively.

In prior years, the System defeased certain Revenue Bonds. The assets used to defease these bonds and the liabilities for the defeased bonds are not included in these financial statements. At June 30, 2010 and 2009, respectively, the total outstanding principal balance of defeased bonds was \$11,165,000.

**HOUSING AND DINING SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

The principal and interest maturities of bonds payable for years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	2,580,000	2,885,173	5,465,173
2012	2,680,000	2,783,678	5,463,678
2013	2,785,000	2,676,711	5,461,711
2014	2,895,000	2,563,847	5,458,847
2015	3,025,000	2,443,432	5,468,432
2016-2020	17,225,000	10,004,227	27,229,227
2021-2025	17,180,000	5,643,852	22,823,852
2026-2030	5,910,000	2,542,945	8,452,945
2031-2034	4,155,000	786,990	4,941,990
	<u>\$58,435,000</u>	<u>\$32,330,855</u>	<u>\$90,765,855</u>
Less unamortized (discounts)/premiums	<u>(1,380,970)</u>		
	<u>\$57,054,030</u>		

**NOTE 5. COMMITMENTS**

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2010 and 2009, these commitments totaled \$5,385,102 and \$4,669,664 respectively, for all funds.

**NOTE 6. CONTRACT WITH SODEXO AMERICA, LLC**

Sodexo America, LLC (“Sodexo”) contracted with WWU to manage the dining services provided by the System. As part of this contract, Sodexo agreed to provide a total of \$3,000,000 to the System for the acquisition of capital assets. This amount is being recognized as operating revenue on a straight-line basis over the ten-year life of the contract. The System will terminate the contract one year early (August 31, 2011) and will award a new contract effective September 1, 2011.

As of June 30, 2010, the System had received the entire \$3,000,000 from Sodexo per the agreement.

**NOTE 7. PENSION PLAN**

As employees of WWU, the full-time System employees are participants in the State of Washington Public Employees' Retirement System (“PERS”) or the Western Washington University Retirement Plan (“WWURP”). The WWURP plan is a defined contribution plan. PERS is a defined benefit pension plan. WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service. The Washington State Legislature establishes or amends benefit provision for PERS. Additional information

concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available for the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

Western Washington University Retirement Plan (WWURP) is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provision.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made.

The System contributed approximately \$178,000 and \$244,000 to these plans in 2010 and 2009, respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

**NOTE 8. OTHER POST-EMPLOYMENT BENEFITS**

WWU funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the actuarial accrued liability (AAL) is not available for auxiliary entities. WWU is responsible for the annual payment therefore, the annual required contribution (ARC) is not recorded on Housing and Dining's financial statements.

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**SUPPLEMENTAL INFORMATION**

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**SCHEDULE OF ROOM AND BOARD RATES**
**RESIDENCE HALLS**

	Meals Per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	\$8,393	\$8,076	\$7,763	\$7,448
Single room/single occupancy	9,255	8,938	8,625	8,310
Double room/single occupancy (super single)	9,479	9,432	9,119	8,804
Triple room/triple occupancy	7,345	7,028	6,715	6,400

**APARTMENTS**

	Double (2/Bedroom)	Super Single (1/Bedroom)	Family Rate
	Apartment Only Academic Year Contracts		
Birnam Wood - 2 bedroom	\$2,661	\$5,322	\$10,647
Leased Apartments – New York, 1 bedroom	3,450	6,945	-
Leased Apartments – New York, 3 bedroom on	2,931	4,488	13,464



**SCHEDULE OF OCCUPANCY**

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed <sup>(1)</sup>	Operating <sup>(2)</sup>		Designed Capacity	Operating Capacity
Fall 2009	4,148	4,040	3,953	95.3%	97.8%
Winter 2010	4,148	4,040	3,791	91.4	93.8
Spring 2010	4,148	4,040	3,576	86.2	88.5
Average	4,148	4,040	3,773	91.0%	93.4%

## NOTES:

- 1) Designed capacity is the number of beds for which the System was originally constructed and subsequently remodeled to accommodate.
- 2) Operating capacity is the number of students that can effectively be accommodated in an academic quarter based on housing policies in effect for that quarter.

**SCHEDULE OF INSURANCE COVERAGE**

WWU purchases buildings, contents, and business interruption insurance for the System through its participation in the State of Washington Property Insurance program. The System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from insured property and is included in the policy limits with a \$32,500,000 sub-limit. Other highlights of insurance coverage are as follows:

- Replacement cost coverage for all scheduled buildings for all risk of physical loss or damage, including earthquake and flood.
- The limit is \$100,000,000 per occurrence, with an aggregate of \$100,000,000 for earthquake and flood damage. There is a \$250,000 deductible per occurrence that increases to 3% of value of damaged property with a \$250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance - private insurance program, \$50,000,000 per accident, \$5,000 deductible on all insured objects and \$50,000 deductible for property damage.
- Bodily injury and property damage liability - State funded self-insurance program, \$10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The System's property insurance in effect at June 30, 2010 is summarized as follows:

	Values Used for Fire and Extended Coverage of Buildings
Ridgeway Residences and Commons	\$76,567,627
Fairhaven Residences and Commons	49,404,782
Buchanan Towers	28,368,584
Edens Hall and Edens Hall North	27,497,768
Viking Union, Addition and Commons	37,431,188
Birnam Wood Residences	33,125,666
Nash Hall	23,335,120
Mathes Hall	22,876,860
Higginson Hall	14,615,231
Commissary	9,870,457
Highland Hall	6,958,517
Lakewood Recreational Facility	1,814,486
	<hr/>
Building Insured Values	331,866,286
Insured Contents	14,462,591
	<hr/> <hr/>
	\$346,328,877

**EXPENDED FOR PLANT FACILITIES**

Expenditures by the System to maintain and improve its facilities are listed below. Some of these projects are capitalized and increase the value of the System's buildings. Others are costs to maintain the buildings and infrastructure and are expensed.

	<u>2010</u>	<u>2009</u>
<b>Capitalized Projects</b>		
New Residence Hall	\$7,171,685	\$873,611
Buchanan Towers Fire Sprinklers	2,157,166	-
Fairhaven Fire Sprinklers	1,198,496	1,970,521
Dining Capital Investment Projects	423,415	512,593
Ridgeway Gamma Fire Sprinklers	28,486	1,734,758
Sprinkler Study	11,489	-
Triple Occupancy Beds	1,494	376,461
Ridgeway Beta Renovation	918	-
Edens North Seismic	-	214,230
Other capitalizable	-	168,953
	<u>\$10,993,149</u>	<u>\$5,851,127</u>
<b>Non-Capitalized Projects</b>		
Furniture & Carpet	\$375,239	-
Other	188,044	\$351,342
Equipment	174,557	-
Brick Restoration	117,287	-
Plumbing, heating and electrical	98,995	91,018
Nash Deck Replacement	93,659	5,076
Window Coverings	93,036	750
Bathroom & Shower renovations	69,042	300,738
Gamma Flood Restoration	30,921	677,915
Lighting Retrofits & Changes	27,226	-
Network Infrastructure and Switches	20,782	
Stairwell and Exit Door Replacements	17,976	22,129
Laundry Room Remodel	17,180	28,843
Painting	-	160,846
Elevator Upgrades	-	94,087
Building Controls & Fire Alarm Panels	-	17,943
Asbestos abatement & flooring	-	2,693
	<u>\$1,338,921</u>	<u>\$1,753,380</u>

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**PARKING SERVICES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010 and 2009**

**Overview of the Financial Statements and Financial Analysis**

The following discussion and analysis provides an overview of the financial activities and financial position of Western Washington University's Parking Services (Parking Services) for the years ended June 30, 2010, 2009, and 2008. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and accompanying notes.

**Presentation of the Financial Statements**

Parking Services financial reports include the Statements of Net Assets, the Statements of Revenue, Expenses, and Changes in Net Assets and the Statements of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standard Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. Parking Services financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

**Statements of Net Assets**

The Statements of Net Assets present the financial condition of Parking Services at the end of the fiscal year and report all assets and liabilities.

The amounts in these statements represent the assets available to continue the operations of Parking Services and identify what is owed to vendors and other parties. The difference between total assets and total liabilities, net assets, is one indicator of the current financial condition of Parking Services. The change in net assets measures whether the overall financial condition has improved or deteriorated during the fiscal year.

Below is a condensed view of the Statements of Net Assets as of June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets	\$1,159,317	\$1,342,666	\$1,228,080
Noncurrent assets	33,964	56,344	99,496
Land	3,503,223	3,503,223	3,503,223
Capital assets, net	<u>830,903</u>	<u>573,772</u>	<u>51,245</u>
Total assets	5,527,407	5,476,005	4,882,044
<b>Liabilities</b>			
Current liabilities	364,632	346,955	305,332
Noncurrent liabilities	<u>2,369,694</u>	<u>2,356,336</u>	<u>2,451,468</u>
Total liabilities	2,734,326	2,703,291	2,756,800
<b>Net Assets</b>			
Invested in capital assets, net	1,827,917	1,625,659	1,013,000
Unrestricted	<u>965,164</u>	<u>1,147,055</u>	<u>1,112,244</u>
Total net assets	<u>\$2,793,081</u>	<u>\$2,772,714</u>	<u>\$2,125,244</u>

**PARKING SERVICES****MANAGEMENT'S DISCUSSION AND ANALYSIS*****June 30, 2010 and 2009***

Total current assets decreased \$183,349 (13.7%) over fiscal 2009, compared to an increase of \$114,586 (9.3%) between fiscal 2009 and fiscal 2008. The decrease in fiscal 2010 is primarily due to a decrease in the receivable related to the Federal Transportation Center (FTA) grant for the Lincoln Creek Transportation Center (LCTC). All grant funds have been expended on capital improvements as of June 30, 2010. The increase between fiscal 2009 and fiscal 2008 is due to a receivable from the FTA for expenditures relating to the LCTC project.

Capital assets, net increased in 2010 by \$257,131 (44.8%) compared to fiscal 2009 due to the purchase of new parking pay boxes and capital improvements to parking lots offset by depreciation and amortization. The parking lot project was completed in September 2009. The increase in capital assets of \$522,527 (14.7%) in fiscal 2009 over fiscal 2008 was due to the capitalization of \$505,917 in expenses related to LCTC and the purchase of new handheld equipment for parking enforcement. The expenditures for the LCTC project are shown as Construction in Progress on the Capital Assets schedule in Note 5 to the financial statements in 2009; in 2010 all LCTC expenditures were transferred to the Improvements Other than Buildings category as the project was complete.

Current liabilities increased \$17,677 (5.1%) from fiscal 2009 as a result of additional accrued leave liability and accrued salaries payable and an increase in the current portion of long term debt obligations due to the new pay box stations lease obligation offset by more timely payments of invoices. The increase of \$41,623 (13.6%) between fiscal 2009 and fiscal 2008 is attributable to the purchase of handheld equipment and computer software, including related implementation costs.

Noncurrent liabilities increased \$13,358 (0.6%) in fiscal 2010 compared to fiscal 2009, due to the purchase of parking pay boxes through a state financing program over seven years at a cost of \$150,000 offset by long term debt principal payments. Noncurrent liabilities decreased \$95,132 (3.9%) in fiscal 2009 from fiscal 2008 as long-term debt was paid off.

Total net assets increased \$20,367 (0.7%) from fiscal 2009 primarily due to the addition of capital assets in invested in capital assets, net of related debt along with a decrease in income before capital grant revenue that is reflected in unrestricted net assets. The \$647,470 (30.5%) increase in fiscal 2009 over fiscal 2008 reflects over \$500,000 in LCTC grant revenue and the reduction in operating expenditures. Investment in capital assets, net of related debt increased \$202,258 (12.4%) as a result of parking lot improvements. The Investment in capital assets increase of \$612,659 (60.5%) in fiscal 2009 over fiscal 2008 as a result of the improvements to parking lot 17G and new computer equipment purchased during fiscal 2009.

**Statements of Revenues, Expenses and Changes in Net Assets**

The changes in total net assets, as presented on the Statements of Net Assets, are detailed in the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. The statements present Parking Services results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating and non-operating. Also in accordance with GASB Statement 34, fines revenues are recognized when collected.

In general, operating revenues are those received for providing goods and services to the customers of Parking Services, primarily permit sales to staff, faculty and students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating.

**PARKING SERVICES**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**June 30, 2010 and 2009**

Parking permit revenue comprises the largest source of revenue for Parking Services. Permits are required for all parties parking on campus property.

Following is a condensed version of the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	1,598,974	\$1,539,793	\$1,745,765
Operating expenses	<u>(1,515,651)</u>	<u>(1,352,864)</u>	<u>(1,457,789)</u>
Operating income	83,323	186,929	287,976
Nonoperating (expenses) revenues	<u>(65,686)</u>	<u>(45,376)</u>	<u>(37,240)</u>
Income from operating and non-operating activities	17,637	141,553	250,736
Capital grant revenue	<u>2,730</u>	<u>505,917</u>	<u>583,139</u>
Increase in net assets	20,367	647,470	833,875
Net assets, beginning of year	<u>2,772,714</u>	<u>2,125,244</u>	<u>1,291,369</u>
Net assets, end of year	<u><u>\$2,793,081</u></u>	<u><u>\$2,772,714</u></u>	<u><u>\$2,125,244</u></u>

**Revenues**

Permit revenues increased \$44,659 (4.2%) over fiscal 2009 and decreased \$28,358 (2.6%) in fiscal 2009 compared fiscal 2008. The fiscal 2010 increase results from selling more permits, primarily in the "C"/gravel lots at the south end of campus. During fiscal 2009 and fiscal 2008, permits for these lots were sold under a cap while during fiscal 2010 permits were sold on a ratio of spaces available to allow for improved monitoring of the use of the lots. The decrease between fiscal 2009 and fiscal 2008 is a result of continued success of the Alternative Transportation programs, which lowered demand for parking and increased use of the associated bus pass program. The program encourages usage of public transportation and other modes of transportation. Parking Services did not increase permit rates in fiscal 2010 or fiscal 2009.

Parking meter and pay box station revenues increased \$31,989 (32.3%) as a result of implementing new pay box stations in October 2009. This revenue source significantly decreased \$79,910 (44.7%) in fiscal 2009 compared to fiscal 2008 as the pay box stations were often out of service due to maintenance issues. The pay box stations credit card payment option was discontinued early December 2008 due to changes in the payment card industry (PCI) compliance requirements. The increase in credit card payments when comparing fiscal 2010 with fiscal 2009 was \$33,695 (104%). The new pay stations are equipped to allow for various configurations for daily sales, events, and special coupons which generated more revenues during fiscal 2010.

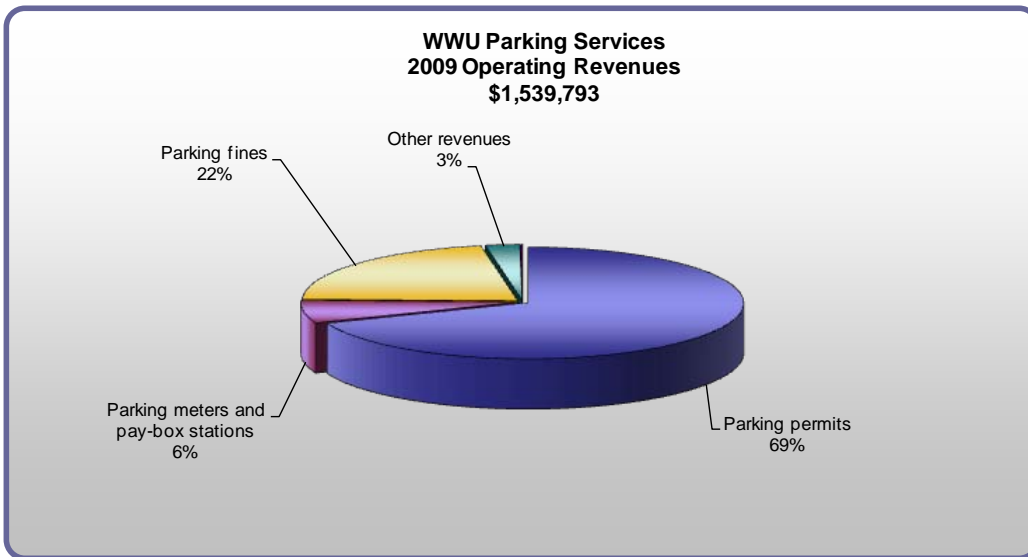
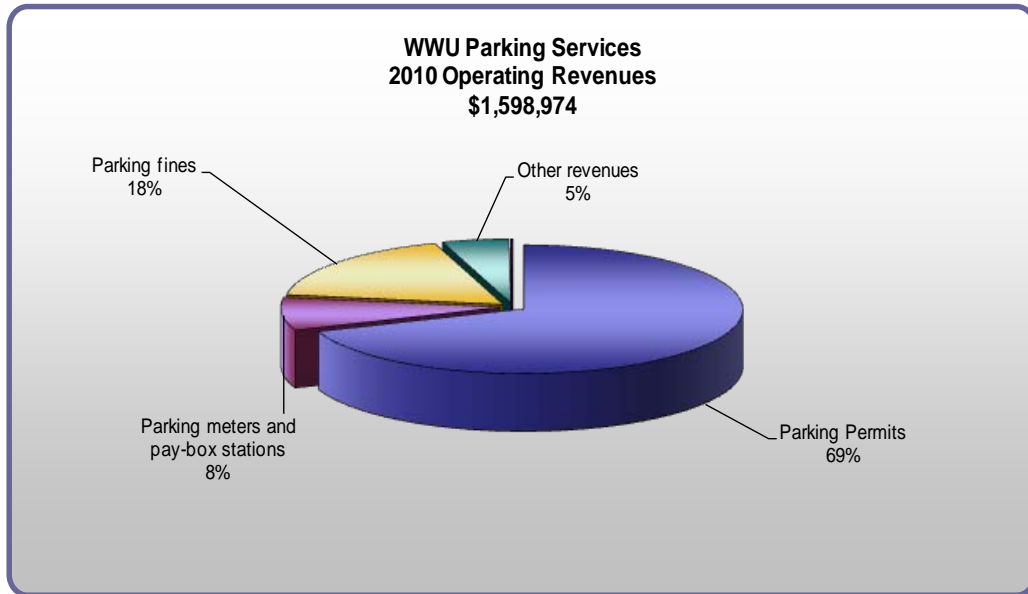
Parking fine revenue decreased \$55,973 (16.6%) in fiscal 2010 compared to fiscal 2009 due to conversion issues during the implementing of a new parking system. The implementation caused a delay in the usual practice of placing registration holds on students who had parking fines. The registration holds will not allow students to register for classes until all outstanding parking fines are paid in full. Since this practice was delayed, parking fines went unpaid by students. The resolution of this issue will continue into fiscal 2011. When comparing fiscal 2009 to fiscal 2008, there was a decrease of \$98,045 (22.6%) due to many of the pay box stations being out of service and the parking lot restrictions could not be enforced resulting in fewer tickets being issued after hours and on weekends. In addition, the department had a shortage of staff resulting in fewer citations being issued. Other revenues increased in fiscal 2010 by \$38,551 (97.4%) when compared to fiscal 2009 and increased \$341



***PARKING SERVICES  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

(0.9%) when comparing fiscal 2009 to fiscal 2008. The change in fiscal 2010 is a result of an increase in parking lot rentals of \$6,241 (59.8%) due to more parking lot rentals that were reserved for patrons that attended events on campus. Goods and services revenue (reported in other revenues) increased in fiscal 2010 by \$33,862 (100%) due to a security position being funded by the Miller Hall renovation project. This security position monitored traffic flow and only allowed authorized vehicles to proceed to the project site. This position was filled beginning in fiscal 2010.



***PARKING SERVICES  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***

**Expenses**

Salaries and benefits increased \$113,170 (11.3%) in fiscal 2010 over fiscal 2009 as a vacant position was filled as well as an increase in the employer share of medical costs. The comparison between fiscal 2009 and fiscal 2008 was a decrease of \$69,996 (-6.5%) due primarily to a Computer Technician position that was vacant during fiscal 2009 and a decrease in the employer share of medical costs.

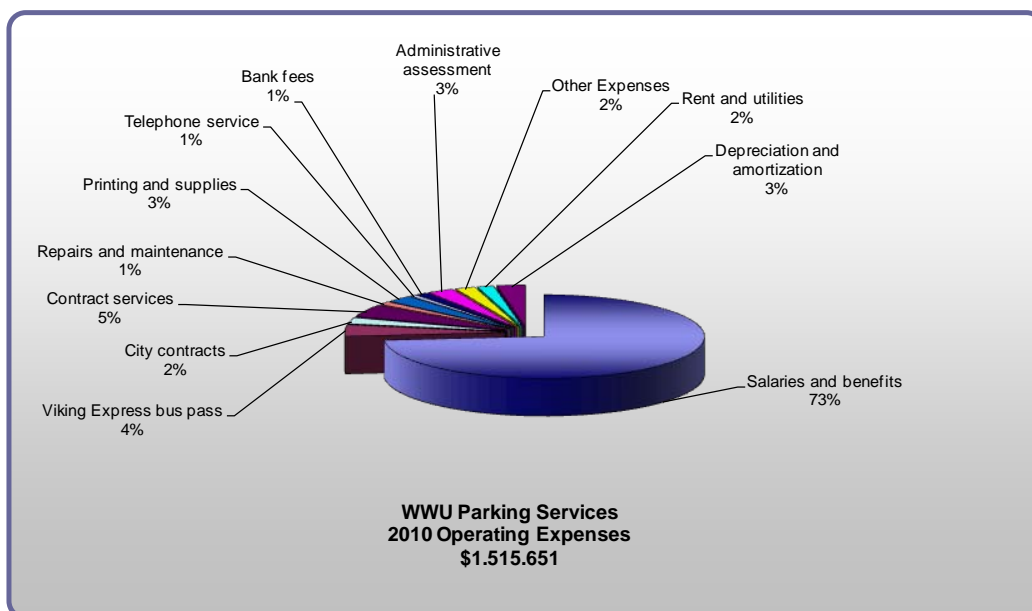
Contract services expense increased by \$1,121 (1.5%) in fiscal 2010 due to pay station system support and licensing fees. The increase of \$47,072 (184.2%) in fiscal 2009 compared to fiscal 2008 is due to the purchase and implementation of the new T2 computer system. These expenses did not meet WWU's capitalization threshold under the current policy.

The administrative assessment fee, which is calculated based on revenues, increased in 2010 by \$9,008 (28.0%) over fiscal 2009 and \$4,992 (18.4%) comparing fiscal 2009 to fiscal 2008 as a result of a university wide re-evaluation of the fee and increased operating revenues for Parking Services.

Depreciation expense increased \$26,166 (151.5%) during fiscal 2010 compared to fiscal 2009 due to depreciation expense incurred on the new pay box stations and improvements to the LCTC. Depreciation expense decreased \$39,498 (-69.6%) comparing fiscal 2009 to fiscal 2008 due to minimal asset additions during fiscal 2009 and the Lincoln Creek Transportation Center improvements being fully depreciated.

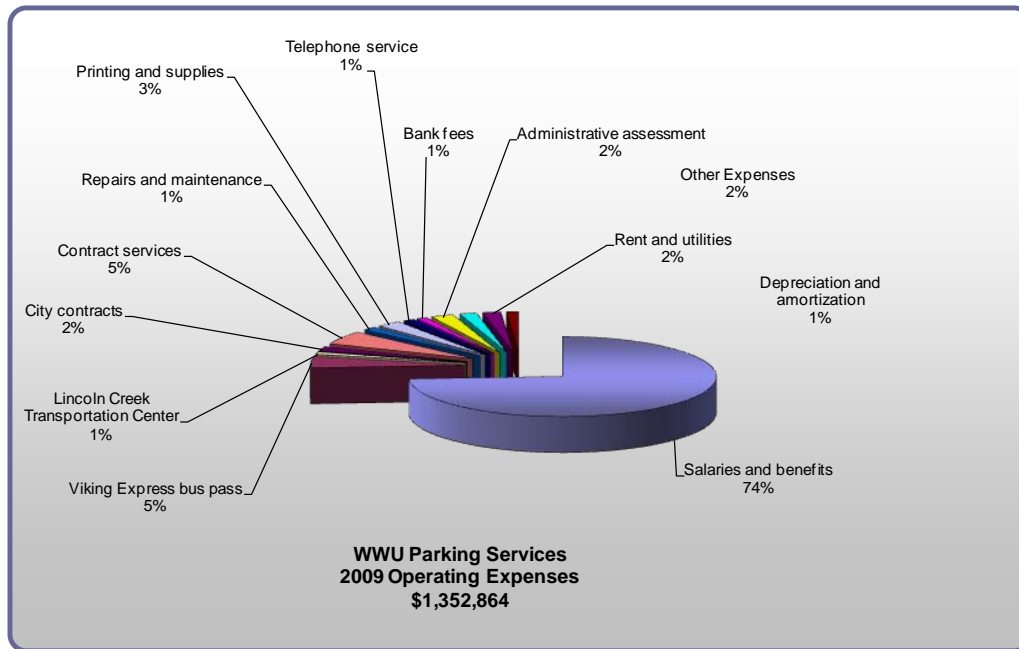
The remaining operating expenses increased \$13,322 (5.8%) in fiscal 2010 primarily due to an increase in the City contracts expense. A new contract between Western and the City of Bellingham was signed in fiscal 2010. This contract determines the fee the City of Bellingham charges Western for the Residential Parking Zones (RPZ) located around Western.

The decrease in remaining operating expenses comparing fiscal 2009 and fiscal 2008 was \$3,494 (1.5%) primarily attributable to a decrease in bank fees during fiscal 2009.



***PARKING SERVICES  
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2010 and 2009***



**Economic Factors and Significant Events**

Construction projects will continue to have a dampening effect on parking permit revenues for parking lots in fiscal 2011 as many of the parking lots will have reduced parking spaces. There will also be a delay in some parking lots being available due to construction projects based on the currently known timeline.

Parking is addressing the deteriorating condition the driveway and entry to a parking lot at the south end of campus in fiscal 2011. An allocation of \$125,000 was reserved to cover this project in fiscal 2010. This project will be reviewed Fall of 2010 if approved; resurfacing will be completed by September 2011. Unrestricted reserve funds will be used for this expenditure.

The Board of Trustees  
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Parking Services (Parking Services) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Parking Services' 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 Parking Services' 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.

As discussed in Note 1, the financial statements of Parking Services are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of Parking Services. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2010 and 2009, the changes in its financial position, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parking Services as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

Seattle, Washington  
October 12, 2010

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**PARKING SERVICES**  
**STATEMENTS OF NET ASSETS**
**June 30, 2010 and 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current assets		
Cash and cash equivalents (Note 2)	\$852,837	\$511,057
Investments (Note 2)	300,402	439,884
Accounts receivable	298	275
Grant receivables	-	373,220
Prepaid expenses	5,780	18,230
Total current assets	<u>1,159,317</u>	<u>1,342,666</u>
Noncurrent assets		
Investments (Note 2)	-	18,806
Land (Note 5)	3,503,223	3,503,223
Capital assets, net (Note 5)	830,903	573,772
Other assets	33,964	37,538
Total noncurrent assets	<u>4,368,090</u>	<u>4,133,339</u>
Total assets	<u>5,527,407</u>	<u>5,476,005</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	29,049	61,163
Accrued salaries and benefits	109,946	99,025
Current portion of notes payable (Note 4)	136,515	95,000
Deferred revenue	89,122	91,767
Total current liabilities	<u>364,632</u>	<u>346,955</u>
Noncurrent liabilities		
Note payable, less current portion (Note 4)	<u>2,369,694</u>	<u>2,356,336</u>
Total liabilities	<u>2,734,326</u>	<u>2,703,291</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,827,917	1,625,659
Unrestricted	965,164	1,147,055
Total net assets	<u>\$2,793,081</u>	<u>\$2,772,714</u>

**PARKING SERVICES**
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Parking permits	\$1,106,978	\$1,062,319
Parking meters and pay box stations	131,046	99,057
Parking fines	280,255	336,228
Other revenues	78,148	39,597
Services funded by WWU	2,547	2,592
Total operating revenues	<u>1,598,974</u>	<u>1,539,793</u>
 <b>Operating Expenses</b>		
Salaries and benefits	1,113,679	1,000,509
Viking Express bus pass	66,113	61,096
Lincoln Creek Transportation Center	-	11,710
City contracts	35,189	24,132
Contract services	73,752	72,631
Repairs and maintenance	18,044	18,889
Printing and supplies	40,293	34,793
Telephone service	10,589	15,733
Bank fees	17,141	14,451
Administrative assessment	41,186	32,178
Other expenses	30,845	23,935
Rent and utilities	25,381	25,534
Depreciation and amortization	43,439	17,273
Total operating expenses	<u>1,515,651</u>	<u>1,352,864</u>
 Operating income	83,323	186,929
 <b>Nonoperating Revenues (Expenses)</b>		
Contribution for building rent and utilities	25,381	25,534
Interest income	12,821	36,282
Interest on indebtedness	(100,441)	(103,629)
Amortization of bond issuance costs	(3,447)	(3,563)
Total nonoperating expenses	<u>(65,686)</u>	<u>(45,376)</u>
 Income before capital grant revenue	17,637	141,553
 <b>Capital Grant Revenue</b>	<u>2,730</u>	<u>505,917</u>
 <b>Increase in Net Assets</b>	20,367	647,470
 <b>Total Net Assets, Beginning of Year</b>	<u>2,772,714</u>	<u>2,125,244</u>
 <b>Total Net Assets, End of Year</b>	<u><u>\$2,793,081</u></u>	<u><u>\$2,772,714</u></u>

**PARKING SERVICES**  
**STATEMENTS OF CASH FLOWS**
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Cash received from students, employees and visitors	\$1,596,244	\$1,538,632
Cash received from the university	2,547	2,592
Cash paid to employees	(1,102,758)	(999,887)
Cash paid to suppliers	(352,816)	(276,144)
Net cash provided by operating activities	<u>143,217</u>	<u>265,193</u>
 <b>Cash flows from investing activities</b>		
Interest income received	12,821	36,282
Net sales of investments in internal pool	158,288	315,555
Net cash provided by investing activities	<u>171,109</u>	<u>351,837</u>
 <b>Cash flows from capital and related financing activities</b>		
Cash received from grant revenue	375,950	132,698
Payments on note payable	(95,000)	(90,000)
Purchase of capital assets	(303,055)	(539,800)
Proceeds from pay box stations financing	150,000	-
Interest paid on indebtedness	(100,441)	(103,629)
Net cash provided by (used in) capital and related financing activities	<u>27,454</u>	<u>(600,731)</u>
 Net increase in cash and cash equivalents	341,780	16,299
 Cash and cash equivalents, beginning of year	<u>511,057</u>	<u>494,758</u>
 Cash and cash equivalents, end of year	<u><u>\$852,837</u></u>	<u><u>\$511,057</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$83,323	\$186,929
Adjustments to reconcile operating income to net cash flows from operating activities		
Loss on disposal of fixed asset	2,485	-
Depreciation and amortization	43,439	17,273
Contributed building rent and utilities	25,381	25,534
Net changes in assets and liabilities		
Receivables	(23)	10
Prepaid	12,450	(1,175)
Accounts payable and accrued liabilities	(32,114)	34,579
Accrued salaries and benefits	10,921	622
Deferred revenue	(2,645)	1,421
Net cash provided by operating activities	<u><u>\$143,217</u></u>	<u><u>\$265,193</u></u>



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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Organization

Western Washington University Parking Services (Parking Services), a division of Business and Financial Affairs, is a self supporting, auxiliary enterprise of Western Washington University (WWU) and is responsible for the oversight and operation of the parking facilities and public transportation services of WWU.

Parking Services facilitates access to WWU for over 15,000 students, faculty, staff, vendors and guests. To supplement approximately 3,400 campus parking spaces, the transportation program provides assistance, education and incentives for walking, transit use, bicycling and carpooling.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net assets, results of operations and cash flows of Parking Services. The financial statements present only a selected portion of the activities of WWU. They are not intended to and do not present either the financial position, results of operations, or changes in net assets of WWU.

Basis of Accounting

The financial statements of Parking Services have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Parking Services has elected not to apply any FASB pronouncements issued after November 30, 1989.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. Parking Services records their share of cash, cash equivalents and investments in the same relation as the WWU investment pool itself. Investment income is allocated to Parking Services in proportion to its average balance in the investment pool.

Accounts Receivable

Accounts receivable are unsecured, recorded at the net balance, and are due from students and employees. Outstanding receivables at June 30, 2010 and 2009 resulted from summer bus pass sales to employees and students on payroll deduction. The next payroll deduction occurred on July 10<sup>th</sup>, paying the outstanding receivable.

Grant Receivable

Grants receivable at June 30, 2010 and 2009, are amounts due from the Federal Transit Administration per the grant received for the Lincoln Creek Transportation Center. Receivable and revenues on cost reimbursement grants are recorded when the eligibility requirements have been met. This occurs when expenditures related to the project have been incurred. All funds were received at June 30, 2010.

Capital Assets

Land, vehicles, pay box stations, and improvements other than buildings and equipment are stated at cost. Parking Services capitalizes items with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated on the straight-line basis over the estimated lives of the assets, five to seven years for vehicles, pay box stations, and equipment.

**PARKING SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2010 and 2009**Other Assets

Certificate of participation (state financing agreements) issuance costs are amortized over the life of the note payable and shown as other assets on the Statements of Net Assets.

Deferred Revenue and Revenue Recognition

Deferred revenues are parking permit sales collected in advance that relate to subsequent accounting periods.

Parking permit revenues are recognized during the period to which the permits relate. Grant revenues are recognized when the related expenditures are incurred. Citation and pay-box revenues are recognized when earned. Fines revenues are recognized when collected.

Net Assets

Parking Services' net assets are classified as follows:

*Invested in capital assets, net of related debt.* This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Unrestricted net assets.* This represents resources derived from operations and investing activities.

Classification of Revenue, Expenses and Transfers

Operating revenue includes activities that have the characteristics of exchange transactions, such as the sale of parking permits, parking meter, pay box and fine revenue. Operating expenses are those costs incurred in daily operations, such as salaries, repairs and depreciation.

Nonoperating revenue includes items that do not have the characteristics of exchange transactions, such as contributed income and interest income. Nonoperating expenses include costs related to financing or investing activities, such as interest on indebtedness.

Administrative Assessment

WWU provides support to Parking Services through cash management, accounting, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included in these financial statements. The amounts incurred were \$41,186 and \$32,178 for fiscal years ended June 30, 2010 and 2009, respectively.

Tax Exemption

WWU, and Parking Services as an auxiliary enterprise, is an instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***PARKING SERVICES***  
***NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2010 and 2009***

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Interest Rate and Credit Risk

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool (LGIP). The LGIP is considered a cash equivalent.

	2010	Weighted Average Maturity	2009	Weighted Average Maturity
Cash and cash equivalents				
WWU Investment Pool	\$852,837	n/a	\$511,057	n/a
Investments				
WWU Investment Pool	300,402	6.8 months	458,690	6.1 months

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year.

The WWU pooled investment with the LGIP is invested in high-quality, short-term investments. Investments in the LGIP are restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less.

**NOTE 3. LINCOLN CREEK TRANSPORTATION CENTER**

The project is a key component to an overall transportation management plan of providing access to WWU and local region while supporting transit services and traffic mitigation. The LCTC encourages alternative modes of transportation, including carpooling and bicycling, and provides incentives to reduce use of single occupancy vehicles. The site is located approximately 2 miles east of the main campus.

Phase I of the project is complete and design plans finished for installation of storm water retention vaults, which must be in place before any additional permits will be authorized by the City of Bellingham. Most of the project was funded with Federal Transit Administration (FTA) funds, with WWU providing funding for the land acquisition (See Note 4).

During fiscal 2008, stream restoration, in compliance with the requirements from the FTA and the Environmental Protection Agency, was completed. In fiscal 2009, the majority of grant funds were incurred for architectural and engineering design.

**PARKING SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2010 and 2009**

In fiscal 2010, \$2,730 was spent on LCTC, compared to expenditures of \$505,917 and \$583,139 during fiscal 2009 and fiscal 2008, respectively. The total amount of the grant from the FTA has been expended as of June 30, 2010. The expenditures were recorded as infrastructure during fiscal 2010.

WWU will continue to seek grant or other sources of funding to complete Phase 2 and 3 of the project, which includes construction of two underground concrete storm water detention vaults, drainage catch basins and piping, final grading of the site from Consolidation Street north to the edge of the Lincoln Creek restoration area, parking lot paving for 524 cars, striping, signage, a central passenger concourse with bus shelters and public information kiosks, lighting improvements, data lines and security phones, bicycle storage and related amenities. Associated off-site improvements include widening of the Lincoln Street frontage road to include a two-way left turn lane between Byron Avenue and Maple Street.

**NOTE 4. NOTES PAYABLE**

Parking Services financed the purchase of the Lincoln Creek property through the issuance of Certificates of Participation by the Washington State Treasurer at an interest rate of 4.42% payable over 20 years. The program offers lease financing to state agencies to purchase capital assets and property. WWU will own the property outright after all payments have been made. During fiscal 2010, Parking Services financed the purchase of \$150,000 in new pay box stations through this same method at an interest rate of 1.93% repaid over the next four years resulting in WWU owning the pay box stations. The long term debt has a carrying value of \$2,506,209 at June 30, 2010, which is reported net of the unamortized premium of \$1,209.

Following are the changes in noncurrent long-term liabilities for the year ended June 30, 2010 and 2009:

<u>Notes Payable</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Amortization</u> <u>of Premium</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion</u>
Certificates of Participation	\$2,451,336	150,000	(95,000)	(127)	\$2,506,209	\$136,515
<u>Notes Payable</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Amortization</u> <u>of Premium</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Current</u> <u>Portion</u>
Certificates of Participation	\$2,541,468	-	(90,000)	(132)	\$2,451,336	\$95,000

**PARKING SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

Parking Services debt service requirements for this agreement for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	136,515	99,359
2012	142,103	94,671
2013	142,824	89,750
2014	148,558	84,715
2015	115,000	79,655
2016-2020	650,000	323,635
2021-2025	800,000	172,931
2026-2027	370,000	16,875
	<u>2,505,000</u>	<u>961,591</u>
Unamortized premium	1,209	-
Total	<u><u>\$2,506,209</u></u>	<u><u>\$961,591</u></u>

**NOTE 5. CAPITAL ASSETS**

The depreciation and amortization expense for the fiscal years ended June 30, 2010 and 2009 was \$43,439 and \$17,273, respectively.

Following are the changes in capital assets for the year ended June 30, 2010:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2010</u>
Land	\$3,503,223	\$ -	\$ -		\$3,503,223
Capital Assets					
Pay-box stations	135,717	148,650	(166,018)		118,349
Vehicles and equipment	197,175		-		197,175
Improvements other than building	350,175	154,405	-	514,723	1,019,303
Construction in progress	514,723		-	(514,723)	-
Total capital assets	1,197,790	303,055	(166,018)	-	1,334,827
Accumulated depreciation	(273,843)	(43,439)	163,533		(153,749)
Accumulated amortization	(350,175)	-	-		(350,175)
Total depreciation and amortization	(624,018)	(43,439)	163,533		(503,924)
Capital assets, net	\$573,772	\$259,616	\$ (2,485)		\$830,903

**PARKING SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

Following are the changes in capital assets for the year ended June 30, 2009:

	June 30, 2008	Additions	Retirements	Transfers	June 30, 2009
Land	\$3,503,223	\$ -	\$ -	\$ -	\$3,503,223
Capital Assets					
Pay-box stations	135,717	-	-	-	135,717
Vehicles and equipment	172,098	25,077	-	-	197,175
Improvements other than building	350,175	-	-	-	350,175
Construction in progress	-	514,723	-	-	514,723
Total capital assets	657,990	539,800	-	-	1,197,790
Accumulated depreciation	(256,570)	(17,273)	-	-	(273,843)
Accumulated amortization	(350,175)	-	-	-	(350,175)
Total depreciation and amortization	(606,745)	(17,273)	-	-	(624,018)
Capital assets, net	\$51,245	\$522,527	\$ -	\$ -	\$573,772

**NOTE 6. PENSION PLAN**

Parking employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service.

The Washington State Legislature establishes or amends benefit provision for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available for the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made.

Parking Services contributed approximately \$39,800 and \$55,700 to these plans in 2010 and 2009, respectively. An actuarial valuation of the plans for Parking Services as a standalone entity is not available.

**NOTE 7. OTHER POST EMPLOYMENT BENEFITS**

WWU funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the actuarial accrued liabilities (AAL) are not available for auxiliary entities. WWU is responsible for the annual payment, the annual required contribution (ARC) is not recorded on Parking Service's financial statements.



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**WADE KING STUDENT RECREATION CENTER****Table of Contents**

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**WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010 and 2009**

**Overview of the Financial Statements and Financial Analysis**

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Wade King Student Recreation Center (the Recreation Center) for the fiscal years ended June 30, 2010, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Presentation of the Financial Statements**

The Recreation Center's financial reports include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities.

The Recreation Center's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Statements of Net Assets**

The Statements of Net Assets present the financial condition of the Recreation Center at the end of the fiscal year and report all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount owed to vendors and other parties. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the Recreation Center.

Below is a condensed view of the Statements of Net Assets as of June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets	\$2,462,325	\$2,328,127	\$2,103,695
Noncurrent assets	1,567,107	1,540,587	1,341,112
Buildings and equipment, net	<u>23,067,867</u>	<u>23,709,251</u>	<u>24,397,281</u>
Total assets	\$27,097,299	27,577,965	27,842,088
<b>Liabilities</b>			
Current liabilities	1,197,142	1,144,252	1,146,196
Noncurrent liabilities	<u>23,912,277</u>	<u>24,504,476</u>	<u>25,066,445</u>
Total liabilities	25,109,419	25,648,728	26,212,641
<b>Net Assets</b>			
Invested in capital assets, net	(1,459,410)	(1,380,225)	(1,234,164)
Restricted for system renewal and replacements	1,225,277	1,133,510	860,265
Unrestricted	<u>2,222,013</u>	<u>2,175,952</u>	<u>2,003,346</u>
Total net assets	<u>\$1,987,880</u>	<u>\$1,929,237</u>	<u>\$1,629,447</u>

**WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS*****June 30, 2010 and 2009***

Current and noncurrent assets increased \$160,718 (4.2%) over fiscal 2009 and \$423,907 (12.3%) between fiscal 2009 and fiscal 2008 as cash, cash equivalents and investments increased due to a greater proportion of current assets held in cash and cash equivalents within the university's investment pool at June 30, 2010 as the University has shifted where it invests funds due to the low interest rate environment.

The buildings and equipment, net balance decreased \$641,384 (-2.7%) in fiscal 2010 and \$688,030 (-2.8%) in fiscal 2009 as compared to fiscal 2008 as the Recreation Center building continues to be depreciated with no significant capital additions. The receivable from Western Washington University Foundation decreased in fiscal 2010 from fiscal 2009 by \$106,057 (-50.2%) as funds were used to purchase capital and non capital equipment. This receivable balance increased \$47,747 (29.2%) when comparing fiscal 2009 to fiscal 2008 due to reduced purchases of capital and non capital equipment.

Current liabilities increased \$52,890 (4.6%) in fiscal 2010 related to the maintenance activities scheduled closer to fiscal-year end. The decrease between fiscal 2009 and fiscal 2008 was \$1,944 (-0.2%) due to reduced accounts payable balances and interest due at June 30, 2009. Noncurrent liabilities decreased \$592,199 (-2.4%) in fiscal 2010 and \$561,969 (-2.2%) in fiscal 2009 compared to fiscal 2008 due to debt payments on the outstanding bonds for the Recreation Center building.

Overall net assets increased \$58,643 (3.0%) in fiscal 2010 and \$299,790 (18.4%) in fiscal 2009 compared fiscal 2008. The amount invested in capital assets, net of related debt continues to decrease as the Recreation Center facility is depreciated at a faster rate than the related debt is repaid. Assets restricted for system renewals and replacements increased over the two prior fiscal years as contributions to this fund exceeded expenditures. Funds for renewals and replacements are set aside according to the five-year capital and maintenance plan required by the debt covenants. These funds are classified as restricted net assets on the Statements of Net Assets.

**Statements of Revenues, Expenses, and Changes in Net Assets**

The changes in total net assets, as presented on the Statements of Net Assets, are detailed in the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets. The statements present the Recreation Center's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided, such as investment income. Nonoperating expenses include interest expense on outstanding debt and amortization of bond costs.

Following is a condensed version of the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2010, 2009 and 2008:

**WADE KING STUDENT RECREATION CENTER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 4,299,600	\$ 4,265,131	\$ 4,109,538
Operating expenses	(3,033,441)	(2,771,341)	(2,746,150)
Income from operations	1,266,159	1,493,790	1,363,388
Nonoperating revenues	86,845	137,059	189,479
Nonoperating expenses	(1,294,361)	(1,331,059)	(1,366,615)
Increase in net assets	58,643	299,790	186,252
Net assets, beginning of year	1,929,237	1,629,447	1,443,195
Net assets, end of year	<u>\$ 1,987,880</u>	<u>\$ 1,929,237</u>	<u>\$ 1,629,447</u>

**Revenues**

The Recreation Center's largest source of revenue is a \$95 per quarter mandatory student fee for use of the facility for those students taking six or more credits. Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. The mandatory fee remained unchanged for from fiscal 2009 but increased \$1 per quarter from fiscal 2008. With enrollment just slightly greater than the previous fiscal year, the student fee revenue for fiscal 2010 was \$34,374 (0.9%) higher than fiscal 2009. The increase in student fee revenue in fiscal 2009 was \$87,137 (2.4%) compared to fiscal 2008.

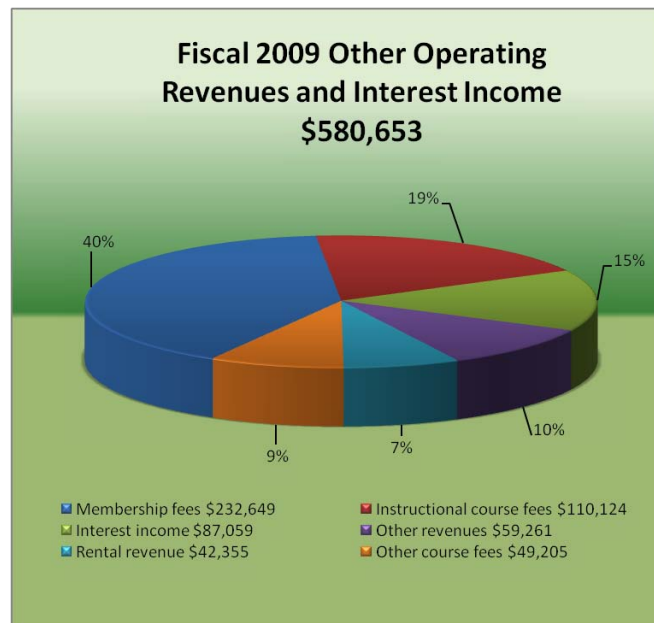
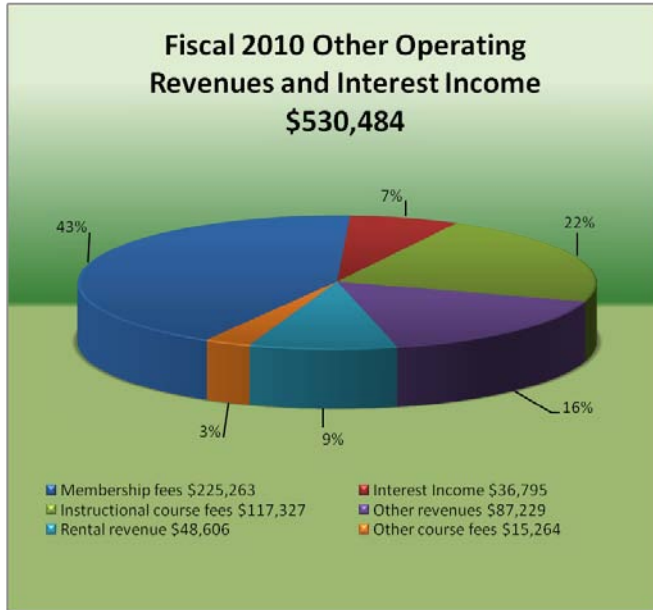
Other operating and non-operating revenues, excluding gift income, decreased \$50,169 (-8.6%) to \$530,484 in fiscal 2010 from \$580,653 in fiscal 2009. The increase in fiscal 2009 was \$16,036 (2.8%) from \$564,617 in fiscal 2008. The decrease in other operating and non-operating revenue was due entirely to the reduction in investment income as a result of the historically low interest rate environment.

Investment income decreased significantly, declining 57.7% to \$36,795 in fiscal 2010 from its three-year high of \$139,479 in fiscal 2008. The decrease when comparing fiscal 2009 to fiscal 2008 was \$52,420 (-37.6%). These decreases are the direct result of the low interest rate environment.

Rental revenue for fiscal 2010 increased 14.8% to \$48,606 from \$42,355 in fiscal 2009 due to additional marketing to the community regarding the availability of facility rentals. The additional marketing also caused other revenue such as locker rentals and retail sales to increase by \$27,968 (47.2%) when comparing fiscal 2010 to fiscal 2009. The change when comparing fiscal 2009 to fiscal 2008 was a decrease of \$1,732 (-2.8%). The decrease in fiscal 2009 can be attributed to the economic downturn resulting in less spending by patrons on services and supplemental items at the Recreation Center as well as a decline in facility rentals by outside groups. These categories are recorded as operating revenues.

**WADE KING STUDENT RECREATION CENTER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010 and 2009**



**Expenses**

The largest category of expenses for the Recreation Center is student and professional salaries and benefits, with depreciation being the second largest expense. Salaries and benefits comprised 40.7% of the total operating expenses in fiscal 2010, compared to 41.8% and 37.1% in fiscal 2009 and fiscal 2008, respectively. Additional student paraprofessional positions were hired to assist in the opening and closing of the recreation center in fiscal 2010. This additional expense, along with annual salary step increases for classified employees and an increase in administrative salary allocations from the Division of Student Affairs accounted for the \$75,147 increase in salaries and benefits compared to fiscal 2009. There was a 14% increase in salaries in fiscal 2009 compared to fiscal 2008 due to the addition of the Facilities/Operations Coordinator position. The university's

**WADE KING STUDENT RECREATION CENTER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2010 and 2009**

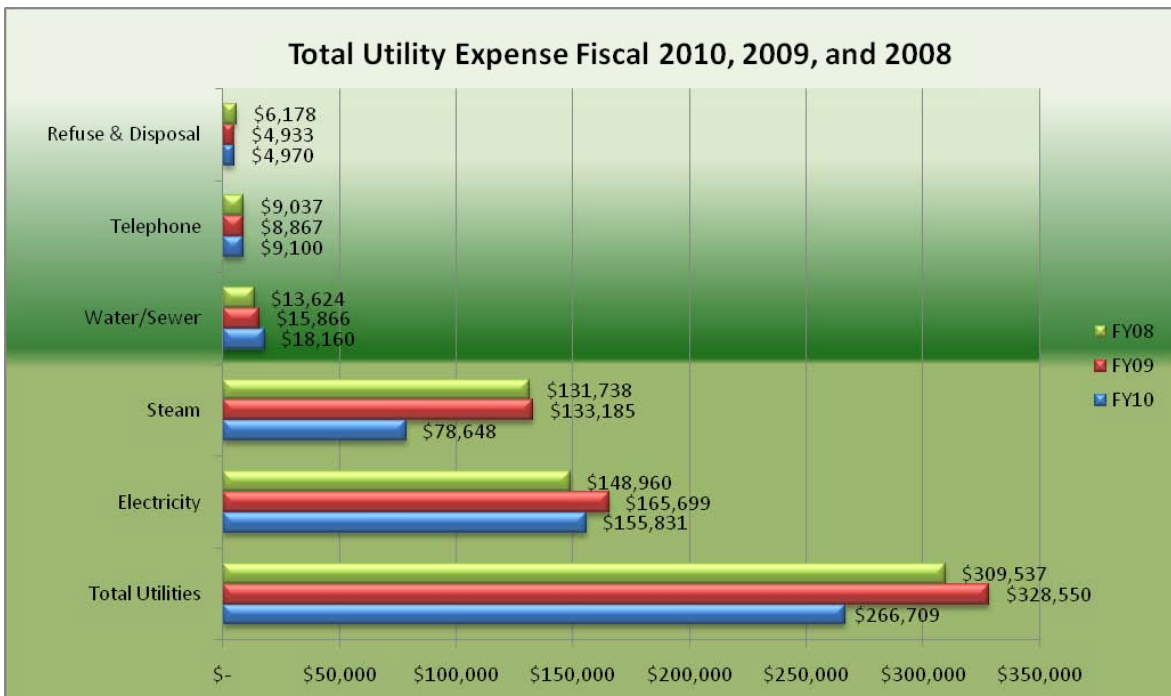
administrative services assessment fee increased 12.1% to \$138,713 in fiscal 2010 from \$123,791 in fiscal 2009, a 26.4% increase from \$97,948 in fiscal 2008. This fee is reported under other expenses.

The University imposed an equipment freeze for state and tuition funds in fiscal 2010 and fiscal 2009 to achieve savings in anticipation of state-wide budget reductions. Student Affairs auxiliary operations, including the Recreation Center, voluntarily restricted equipment expenditures from their operating fund. Due to the equipment freeze in fiscal 2010, the Recreation Center utilized \$82,278 from its Wade King Foundation Fund to purchase equipment and furnishings. This fund was not utilized during fiscal 2009 but had equipment expenditures of \$55,561 during fiscal 2008.

Supplies and materials expenses increased (26.3%) from \$70,890 in fiscal 2009 to \$89,517 in fiscal 2010. This increase is due to the supplies purchased to equip the new climbing wall floor and rock bouldering areas; this included new ropes, carabineers and tie downs in order to meet new industry standards. When comparing fiscal 2009 to fiscal 2008, supplies expense decreased \$6,408 (-8.3%) due to no significant supplies needed for repairs.

Repairs and maintenance expenses increased significantly by \$171,100 to \$374,974 in fiscal 2010, an increase of 83.9% from fiscal 2009. A major component of the increase can be attributed to the recoating of the roof, installation of tennis court lights, a new sound board for the indoor track, along with the replacement of the climbing wall floor, a software upgrade, and higher costs of aquatic maintenance to bring the pool into compliance with the Virginia Graeme Baker Pool Safety Act. The Virginia Graeme Baker Pool Safety Act is a federal law requiring all public swimming pools have anti-entrapment drains and/or devices installed. These expenditures did not meet the University's capitalization policy of extending the useful life of the asset.

The comparison between fiscal 2009 and fiscal 2008 repairs and maintenance expense was a decrease of \$79,556 (-28.1%) due to fewer major projects being undertaken in fiscal 2008.

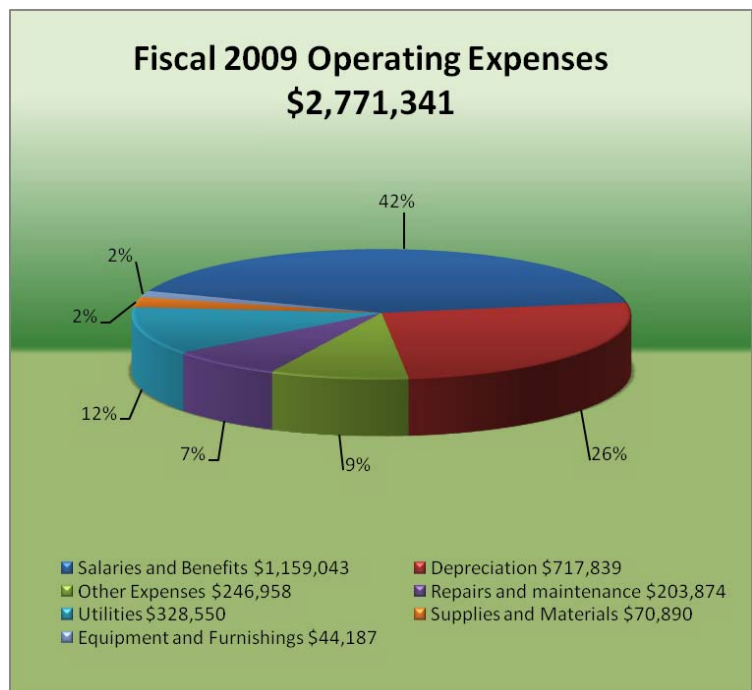
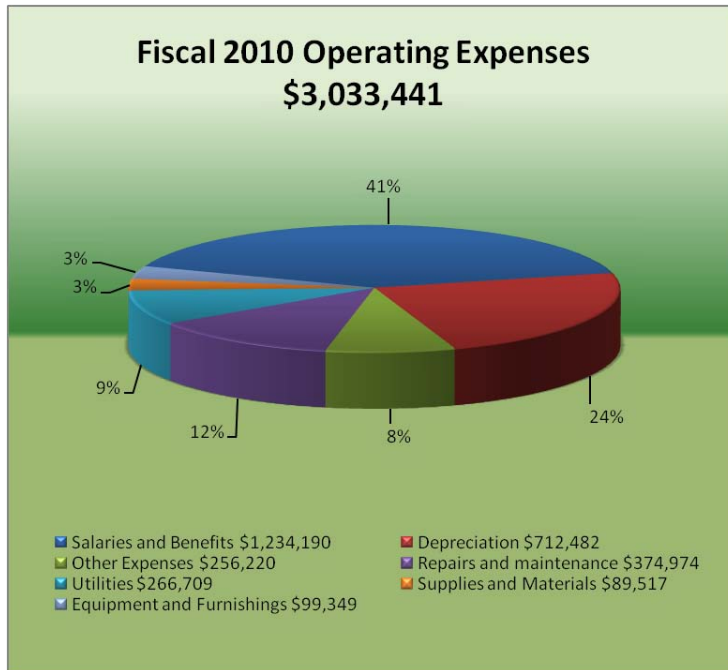




**WADE KING STUDENT RECREATION CENTER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

***June 30, 2010 and 2009***

Total utility expense for the year was \$266,709, a considerable decrease of \$61,841 (-18.8%) from fiscal 2009. This is a result of a recalculation of the Recreation Center's percentage share of steam to the south end of campus, with the addition of the new Academic Instructional Center building, and an overall decrease in campus utility costs. Fiscal 2009 utility expense was \$19,013 greater (6.1%) than in fiscal 2008 due to additional heating costs.



**WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS****June 30, 2010 and 2009****Reserve Funds**

Bond Covenants require an annual addition to the renewal and replacement (R&R) reserve based on management's assessment of the funding level necessary to maintain the facility over the long term. The initial five year requirement was for fund transfers of \$100,000 in 2004, \$150,000 in each of 2005 and 2006, and \$200,000 in 2007 and 2008. All of the transfers were made as planned including an additional \$190,000 (unrestricted) amount in fiscal 2004. Management reaffirmed the Facilities Management lifecycle maintenance plan for major maintenance and building repair and increased the annual contribution to \$250,000 for the five year period beginning in fiscal 2009 to meet anticipated building maintenance and repairs expenses. As planned, \$250,000 was placed into the R&R reserve for fiscal 2010. A roof recoating project, scheduled over the summer of 2010, reduced the reserve amount by approximately \$164,000 at June 30, 2010. At June 30, 2010, the R&R balance was \$1,455,087 of which \$1,225,277 is restricted. The funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in fiscal 2005 for unforeseen or extraordinary expenses. The reserve was used in fiscal 2007 for increased equipment replacement costs resulting from higher student utilization than initially projected. Campus Recreation has since increased equipment replacement in its annual operating budget. The reserve now acts as an emergency fund for unplanned repairs, changes in insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance (such as the funding of repairs and additions to the tennis courts for the Recreation Center's summer camps program, as well as the new sound board installation on the indoor track). Contributions to this fund in the past three years include \$125,000 each in fiscal 2010 and fiscal 2009 and \$300,000 in fiscal 2008. At June 30, 2010, the operating reserve totaled \$1,576,758. These assets are reported as unrestricted on the Statements of Net Assets.

The King family continued their commitment of \$50,000 per year to the WWU Foundation in memory of their son Wade. These contributions now total \$350,000 after seven years. This reserve fund is dedicated to maintaining the quality of the facility and its programs and supports students directly as well. During fiscal 2010, \$149,711 was spent on improving and replacing cardiovascular equipment. Of this amount, \$67,433 was used to purchase capital equipment while \$82,278 was used to purchase non capital equipment. Portions of the donations have been used for youth programming scholarships and certain equipment upgrades. The available balance maintained by the Foundation at June 30, 2010 was \$105,258. These assets are reported as unrestricted on the Statements of Net Assets.

**Ratio Analysis**

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for fiscals 2010, 2009, and fiscal 2008 were 2.37, 2.35, and 2.31, respectively. The increase in the ratio over the three-year period indicates a higher net revenue stream to meet debt obligations in fiscal 2010. This ratio is calculated by dividing total operating revenues and investment income by the annual debt service on the outstanding revenue bonds.

**Utilization Rates**

Student utilization rates remain high with 90.8% of the 13,300 enrolled students using the facility during the course of fiscal 2010. This information is recorded in the Recreation Center's system when students present their membership cards upon entry to the facility. Fiscal 2009 had a utilization rate of 11,997 (90.6%) of 13,240 eligible students compared to 11,867 (91.2%) of 13,006 eligible students in fiscal 2008. Visits by members and non-members totaled 426,010 during fiscal 2010, with the highest number of visits exceeding 3,400 in a given day compared to 435,987 during fiscal 2009. During fiscal 2008, visits by members and no-members totaled 415,239 with the highest number of visits at nearly 3,200 in a given day.

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**WADE KING STUDENT RECREATION CENTER**  
**INDEPENDENT AUDITORS' REPORT*****June 30, 2010 and 2009***

The Board of Trustees  
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Wade King Recreation Center (the Recreation Center) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Recreation Center'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 Recreation Center'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.

As discussed in Note 1, the financial statements of the Recreation Center are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of the Recreation Center. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2010 and 2009, the changes in its financial position, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Recreation Center as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

Seattle, Washington  
October 12, 2010

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**WADE KING STUDENT RECREATION CENTER  
 STATEMENTS OF NET ASSETS**
**June 30, 2010 and 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current assets		
Cash and cash equivalents (Note 2)	\$1,691,968	\$1,097,876
Investments (Note 2)	596,534	941,776
Accounts receivable, net of allowance of \$5,417 in 2010 and \$4,711 in 2009	64,712	74,456
Receivable from Western Washington University Foundation	105,258	211,315
Prepaid Expenses	250	-
Inventory	3,603	2,704
Total current assets	<u>2,462,325</u>	<u>2,328,127</u>
Noncurrent assets		
Investments (Note 2)	-	40,650
Restricted cash and cash equivalents (Note 2)	905,847	598,208
Restricted investments (Note 2)	319,430	535,302
Other assets (Note 1)	341,830	366,427
Building and equipment, net (Note 3)	23,067,867	23,709,251
Total noncurrent assets	<u>24,634,974</u>	<u>25,249,838</u>
Total assets	<u>27,097,299</u>	<u>27,577,965</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	63,180	15,915
Accrued wages and benefits	123,031	119,953
Deferred revenue	191,616	214,926
Interest payable	204,315	208,458
Current portion of bonds payable (Note 4)	615,000	585,000
Total current liabilities	<u>1,197,142</u>	<u>1,144,252</u>
Noncurrent liabilities		
Bonds payable, less current portion (Note 4)	23,912,277	24,504,476
Total liabilities	<u>25,109,419</u>	<u>25,648,728</u>
<b>Net Assets</b>		
Invested in building and equipment, net of related debt	(1,459,410)	(1,380,225)
Restricted for system renewals and replacements	1,225,277	1,133,510
Unrestricted	2,222,013	2,175,952
Total net assets	<u>\$1,987,880</u>	<u>\$1,929,237</u>

**WADE KING STUDENT RECREATION CENTER**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS** *June 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Service and activity fees, net of mandatory transfer	\$3,805,911	\$3,771,537
Staff, faculty and alumni membership fees	225,263	232,649
Instructional course fees	117,327	110,124
Other course fees	15,264	49,205
Rental revenue	48,606	42,355
Other revenues	87,229	59,261
Total operating revenues	<u>4,299,600</u>	<u>4,265,131</u>
<b>Operating Expenses</b>		
Salaries and benefits	1,234,190	1,159,043
Depreciation	712,482	717,839
Utilities	266,709	328,550
Repairs and maintenance	374,974	203,874
Equipment and furnishings	99,349	44,187
Supplies and materials	89,517	70,890
Administrative assessment	138,713	123,791
Insurance	29,953	28,626
Other	87,554	94,541
Total operating expenses	<u>3,033,441</u>	<u>2,771,341</u>
Income from operations	1,266,159	1,493,790
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	36,795	87,059
Gift income	50,050	50,000
Interest expense	(1,246,606)	(1,269,583)
Amortization of bond discounts and costs	(47,755)	(48,684)
Parberry Fitness Center support	-	(12,792)
Total nonoperating expenses	<u>(1,207,516)</u>	<u>(1,194,000)</u>
Increase in net assets	58,643	299,790
<b>Net Assets, Beginning of Year</b>	<u>1,929,237</u>	<u>1,629,447</u>
<b>Net Assets, End of Year</b>	<u><u>\$1,987,880</u></u>	<u><u>\$1,929,237</u></u>

**WADE KING STUDENT RECREATION CENTER**  
**STATEMENTS OF CASH FLOWS**
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from students and other customers	\$4,286,034	\$4,296,391
Payments to employees	(1,231,112)	(1,133,600)
Payments to suppliers	(1,040,653)	(963,623)
Net cash flows provided by operating activities	<u>2,014,269</u>	<u>2,199,168</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Gift income	156,107	2,253
Transfer to Parberry Fitness Center	-	(12,792)
Net cash flows provided by(used in) noncapital financing activities	<u>156,107</u>	<u>(10,539)</u>
<b>Cash Flows from Investing Activities</b>		
Net purchases of investments in internal investment pool	601,764	194,811
Investment income received	36,795	87,059
Net cash flows provided by investing activities	<u>638,559</u>	<u>281,870</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of equipment	(71,098)	(29,809)
Interest paid on capital debt	(1,251,106)	(1,273,956)
Principal paid on capital debt	(585,000)	(565,000)
Net cash used in capital and related financing	<u>(1,907,204)</u>	<u>(1,868,765)</u>
Net increase in cash and cash equivalents	901,731	601,734
Cash and cash equivalents, beginning of year	<u>1,696,084</u>	<u>1,094,350</u>
Cash and cash equivalents, end of year	<u><u>\$2,597,815</u></u>	<u><u>\$1,696,084</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided to Operating Activities</b>		
Income from operations	\$1,266,159	\$1,493,790
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	712,482	717,839
Change in operating assets and liabilities		
Accounts receivable	9,744	4,237
Accounts payable, accrued expenses, salaries and benefits	50,343	(45,200)
Prepaid Expense	(250)	-
Deferred revenue	(23,310)	27,023
Inventory	(899)	1,479
Net cash flows provided by operating activities	<u><u>\$2,014,269</u></u>	<u><u>\$2,199,168</u></u>



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**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**Organization

The Western Washington University Wade King Student Recreation Center (the Recreation Center) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of the University. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, a wellness resource room, therapeutic massage room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on the University campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. His parents, Frank and Mary King, pledged a lifetime gift of \$50,000 per year to the Western Washington University Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center requests funds from the Western Washington University Foundation when expenditures are incurred.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net assets, results of operations and cash flows of the Recreation Center. These statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net assets of WWU.

Basis of Accounting

The Recreational Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Recreation Center has elected not to apply any FASB pronouncements after November 30, 1989.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Recreation Center records their share of cash, cash equivalents and investments in the same relation as the WWU investment pool itself. Investment income is allocated to the Recreation Center in proportion to its average balance in the investment pool.

Inventory

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

**WADE KING STUDENT RECREATION CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2010 and 2009****Accounts Receivable**

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$5,417 and \$4,711 at June 30, 2010 and 2009 respectively, is adequate.

**Building and Equipment, Net**

The building used for the Recreation Center's operations is located on WWU's property. Building and equipment are stated at cost, net of accumulated depreciation. The Recreation Center capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, forty years for buildings and five to seven years for equipment.

**Deferred Revenue**

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. The majority of cash received for service and activity fees related to summer session in fiscal 2010 are deferred until the following fiscal year.

**Net Assets**

The Recreation Center's net assets are classified as follows:

*Invested in building and equipment, net of related debt.* This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets as well as unamortized bond issue costs. The deficit in net assets relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

*Restricted for system renewals and replacements.* Restricted net assets represent resources restricted in accordance with bond covenants for system renewals and replacements. Restricted assets are used in accordance with their requirements and where both unrestricted and restricted resources are available for use, unrestricted resources are used first and restricted resources only when the specific use arises.

*Unrestricted net assets.* Unrestricted net assets represent resources derived from operations and investing activities along with operating reserves established for future replacement of assets.

**Classification of Revenues and Expenses**

The Recreation Center has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as service and activity fees charged to students, staff, faculty, and alumni membership fees, and instructional course fees. Operating expenses are those costs incurred in daily operations, such as salaries, utilities, and depreciation.

Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as investment and gift income. Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

**WADE KING STUDENT RECREATION CENTER  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**
Student Recreation Center Fee, net of mandatory transfer

Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees in an institutional financial aid fund.

This fund is only to be used to fund short or long term loans and grants to students in need. Service and activity fee revenue is reported net of this transfer.

Bond Discounts and Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond discounts are presented as a reduction of the face amount of bonds payable. The unamortized bond issuance costs are shown as other assets on the Statements of Net Assets.

Administrative Assessment

WWU provides support to the Recreation Center through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was \$138,713 and \$123,791 for fiscal years ended June 30, 2010 and 2009, respectively.

Tax Exemptions

WWU, and the Recreation Center as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under Section 115(a) of the Internal Revenue Code and is exempt from federal taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**
Interest Rate and Credit Risk

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool (LGIP). The LGIP is considered a cash equivalent.

	June 30, 2010	Weighted Average Maturity	June 30, 2009	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$ 2,597,815	n/a	\$ 1,696,084	n/a
Investments				
WWU Investment Pool	915,964	6.8 months	1,517,728	6.1 months
	<u>\$ 3,513,779</u>		<u>\$ 3,213,812</u>	

**WADE KING STUDENT RECREATION CENTER  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

WWU manages exposure to fair value losses by employing a “laddered maturity” strategy, in which investments mature at varying times throughout the year.

WWU’s pooled investment with the LGIP is invested in high-quality, short-term investments. Investments in the LGIP are restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less. Restricted investments are restricted for renewals and replacements and held in the University’s investment pool.

**NOTE 3. BUILDING AND EQUIPMENT, NET**

The depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$712,482 and \$717,839, respectively.

Following are the changes in building and equipment for the years ended June 30, 2010 and 2009:

	June 30, 2009	Additions	Retirements	June 30, 2010
Building	\$ 27,687,761	\$ -	\$ -	\$ 27,687,761
Equipment	212,901	67,433	(7,393)	272,941
Construction in Progress	-	3,665	-	3,665
	<u>27,900,662</u>	<u>71,098</u>	<u>(7,393)</u>	<u>27,964,367</u>
Less accumulated depreciation	(4,191,411)	(712,482)	7,393	(4,896,500)
Building and equipment, net	<u>\$ 23,709,251</u>	<u>\$ (641,384)</u>	<u>\$ -</u>	<u>\$ 23,067,867</u>

	June 30, 2008	Additions	Retirements	June 30, 2009
Building	\$ 27,687,761	\$ -	\$ -	\$ 27,687,761
Equipment	183,092	29,809	-	212,901
	<u>27,870,853</u>	<u>29,809</u>	<u>-</u>	<u>27,900,662</u>
Less accumulated depreciation	(3,473,572)	(717,839)	-	(4,191,411)
Building and equipment, net	<u>\$ 24,397,281</u>	<u>\$ (688,030)</u>	<u>\$ -</u>	<u>\$ 23,709,251</u>

**NOTE 4. BONDS PAYABLE**

The Recreation Center issued the Revenue Bonds Series 2002, in February 2002. The bonds bear interest at rates of 4% to 5% and mature annually until 2033. The bonds have an aggregate face amount of \$24,850,000 and \$25,435,000 at June 30, 2010 and 2009, which is reported net of the unamortized original issue discount and a loss on defeasance of \$322,723 and \$345,524, respectively.

On May 1, 2004, the Recreation Center defeased \$1,190,000 of the 2002 Revenue Bonds that were uncommitted due to lower than anticipated construction costs. Of these funds, \$191,000 was used toward the May 1, 2004, interest payment with the remaining \$999,000 placed in an escrow account to purchase United States Treasury securities used to defease \$945,000 of the bonds and pay related costs of \$54,000. Management expects the defeasance will provide a savings of approximately \$2.3 million in debt service over the life of the bonds. WWU incurred an accounting loss of \$74,795 as a result of the defeasance. This loss is being amortized over the remaining life of the bonds.

**WADE KING STUDENT RECREATION CENTER  
 NOTES TO THE FINANCIAL STATEMENTS**
**June 30, 2010 and 2009**

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years and thereafter are as follows:

	Principal	Interest	Payment
2011	615,000	1,225,888	1,840,888
2012	640,000	1,199,750	1,839,750
2013	670,000	1,172,230	1,842,230
2014	700,000	1,142,750	1,842,750
2015	725,000	1,111,250	1,836,250
2016-2020	4,230,000	4,972,500	9,202,500
2021-2025	5,385,000	3,805,500	9,190,500
2026-2030	6,880,000	2,316,750	9,196,750
2031-2033	5,005,000	508,500	5,513,500
	<u>\$ 24,850,000</u>	<u>\$ 17,455,118</u>	<u>\$ 42,305,118</u>
Less unamortized discount	(268,861)		
Less unamortized loss on defeasance	(53,862)		
Total	<u>\$ 24,527,277</u>		

Following are the changes in bonds payable:

	Beginning Balance	Amortization of Bond Discount and Loss	Retirements	Ending Balance	Current Portion
As of June 30, 2010					
Series 2002 Revenue Bonds, net of unamortized original issue discount and loss on defeasance of \$322,723 and \$345,524 at June 30, 2010 and 2009, respectively	<u>\$25,089,476</u>	<u>\$22,801</u>	<u>(\$585,000)</u>	<u>\$24,527,277</u>	<u>\$615,000</u>
As of June 30, 2009					
Series 2002 Revenue Bonds, net of unamortized original issue discount and loss on defeasance of \$345,524 and \$368,555 at June 30, 2009 and 2008, respectively	<u>\$25,631,445</u>	<u>\$23,031</u>	<u>(\$565,000)</u>	<u>\$25,089,476</u>	<u>\$585,000</u>

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center.

**WADE KING STUDENT RECREATION CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS*****June 30, 2010 and 2009***

The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees. Pursuant to the 2002 Series Resolution, the Recreation Center purchased a surety bond as a substitute for the debt service reserve account requirements. The surety bond guarantees payment of the bonds in the event net revenues from operations are not sufficient to meet required payments. The bond covenants also require that the Recreation Center transfer monies each year to an account held as restricted net assets for renewals and replacements of the facilities.

**NOTE 5. PENSION PLAN**

Recreation Center employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP).

WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service.

The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in the Comprehensive Annual Financial Report publicly available from the Washington State Department of Retirement System, P. O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provision.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times. The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made. The Recreation Center contributed \$35,012 and \$38,708 to these plans in fiscal 2010 and fiscal 2009, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

**NOTE 6. OTHER POST EMPLOYMENT BENEFITS**

WWU funds OPEB obligations at a University-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. WWU is responsible for the annual payment; therefore the annual required contribution is not recorded on the Recreation Center's financial statements.

## **DATE FOR NEXT REGULAR MEETING**

- **February 10, 11, 2011**



# ADJOURNMENT