



**Western Washington University
Associated Students Bookstore
Financial Statements
June 30, 2007 and 2006**

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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 Associated Students Bookstore (the Bookstore) for the years ended June 30, 2007, 2006, and 2005. 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.

Statement 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. 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 Statement of Net Assets as of June 30, 2007, 2006, and 2005:

Assets	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$2,119,466	\$ 2,414,842	\$ 2,657,230
Capital assets	1,776,182	1,906,905	1,704,966
Total assets	<u>3,895,648</u>	<u>4,321,747</u>	<u>4,362,196</u>
Liabilities			
Current liabilities	309,051	518,277	397,651
Total liabilities	<u>309,051</u>	<u>518,277</u>	<u>397,651</u>
Net Assets			
Invested in capital assets	1,776,182	1,906,905	1,704,966
Net assets, unrestricted	<u>1,810,415</u>	<u>1,896,565</u>	<u>2,259,579</u>
Total net assets	<u><u>\$3,586,597</u></u>	<u><u>3,803,470</u></u>	<u><u>\$3,964,545</u></u>

Current assets decreased \$295,376 from fiscal 2006 and \$537,764 from fiscal 2005 primarily as a result of smaller inventory balances. Inventory balances decreased 34.7% from 2006 due to increased sales, decreases in purchases and a concentrated effort by management to dispose of obsolete inventory.

Capital assets decreased \$130,723 from fiscal 2006 as the Sequoia point-of-sale system continues to be depreciated versus an increase of \$201,939 between fiscal 2006 and 2005 as the Sequoia system was purchased during fiscal 2005. The Bookstore experienced a decrease in total net assets of \$216,873 over the prior year, however holds unrestricted, undesignated reserves of approximately 31% of current year's net sales.

Statement of Revenues, Expenses and Changes in Net Assets

The changes in total net assets, as presented on the Statement of Net Assets, are detailed in the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The statement presents the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating, non-operating or other.

In general, operating revenues are those received for providing goods and services to the customers of the Bookstore, primarily sales to students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Non-operating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating revenue.

Following is a condensed version of the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2007, 2006, and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales, net of discounts	\$5,796,136	\$5,596,555	\$5,857,481
Cost of goods sold	4,617,203	4,259,258	4,607,315
Gross Profit	1,178,933	1,337,297	1,250,166
Other Operating Revenues	121,057	75,323	101,399
Operating Expenses	1,539,949	1,449,013	1,291,171
(Loss) income from operations	(239,959)	(36,393)	60,394
Non-operating revenues (expenses)	23,086	(124,682)	(141,342)
Other revenue	-	-	150,000
Changes in net assets	(216,873)	(161,075)	69,052
Net assets, beginning of year	3,803,470	3,964,545	3,895,493
Net assets, end of year	<u>3,586,597</u>	<u>\$3,803,470</u>	<u>\$3,964,545</u>

The Bookstore's largest component of revenue is new and used textbook sales which comprise 71.6% of Bookstore revenue, down from 71.8% in 2006 and 73.1% in 2005.

The 10% student textbook discount was valued at over \$460,000, an increase from \$448,000 in 2006 which was a decrease from \$456,000 in 2005.

Net Sales for the year (after the 10% student textbook discount) were \$5,796,136, an increase of 3.6% from 2006 and a decrease of 4.5% from 2005 to 2006. The total net sales amount reflects the ratio of new vs. used textbook sales which varies from year to year. Used textbooks sell for 75% of the new price of the book.

Used book sales totaled \$1,802,449, an increase of \$430,287, or 31.4% from 2006 and down from \$1,399,011 in 2005. The increase this year was due to several factors including improved used book acquisition capabilities as a result of the new inventory management system, regular cycling of new editions by publishers, continuing efforts to buy more books from Western students via higher buy back prices offered and increased marketing of used book availability at the Bookstore.

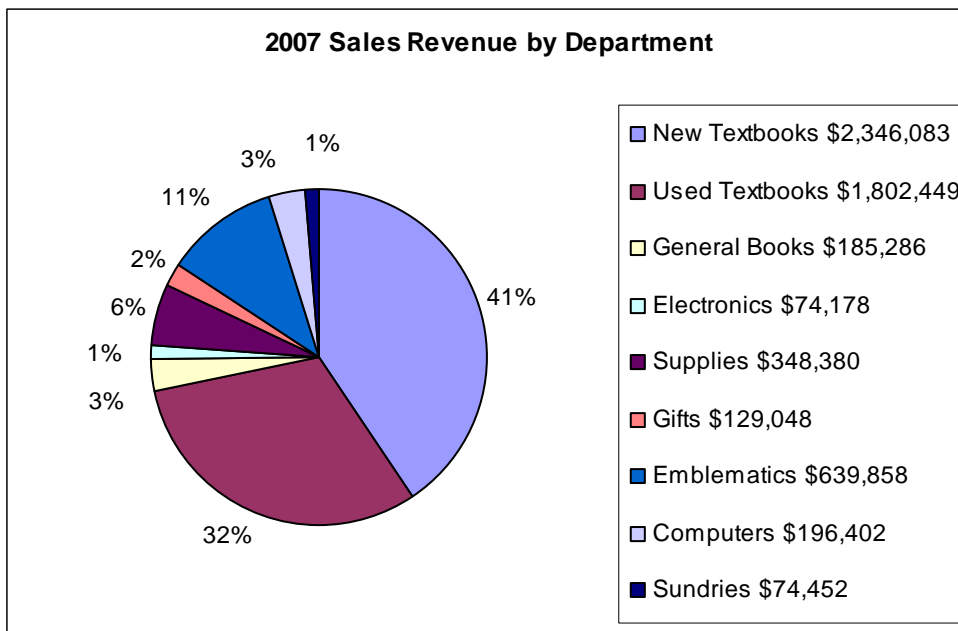
Other operating revenue increased \$45,734 over fiscal 2006 and \$19,658 over fiscal 2005 as a result of increases in buy back commissions and the receipt of commissions on computer purchases for two fiscal years, 2006 and 2007.

Non-operating revenues remained consistent between fiscals 2007 and 2006 but decreased approximately \$150,000 over 2005 when the Associated Students of Western Washington University (ASWWU) contributed \$150,000 to the purchase of the Sequoia point-of-sale system.

Non-operating expenses decreased \$147,768 from 2006 and \$164,428 as the Bookstore did not distribute any funds to the ASWWU.

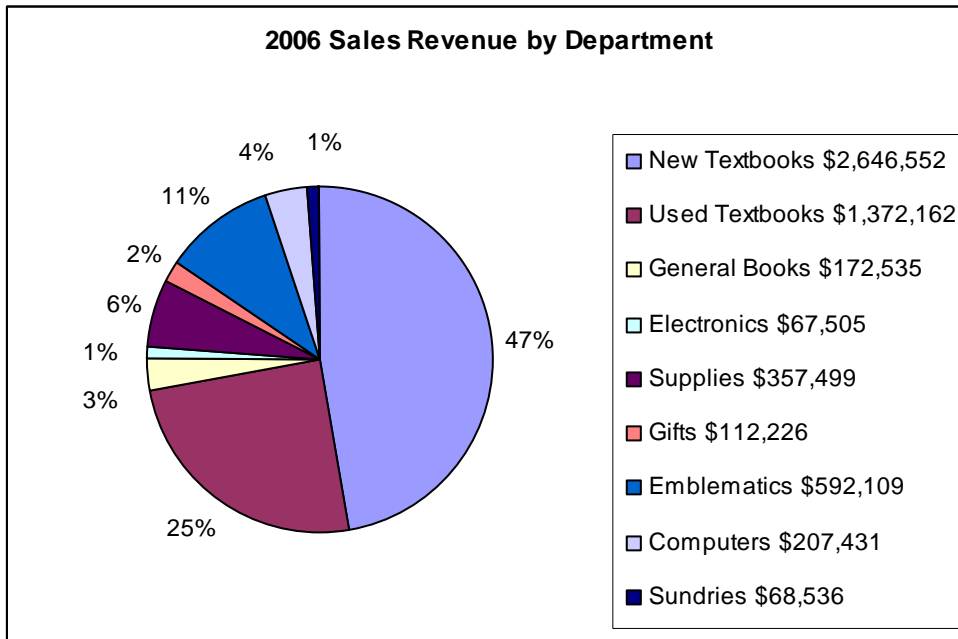
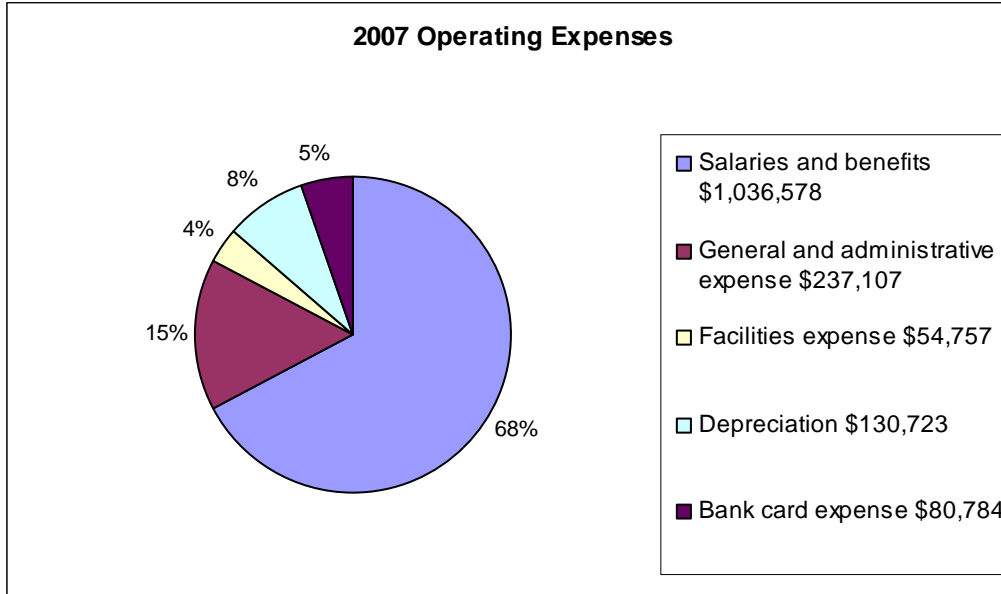
After two years of decreases, the Cost of Goods Sold increased 8.4% from the previous year. The decrease between 2006 and 2005 was 7.6 percent. The 2007 increase in COGS resulted in a Gross Margin decrease of 3.6 percentage points to 20.3% this year. This decrease was due primarily to the Bookstore offering 60% (up from 50%) of new price on textbooks sold back by students for resale in the Bookstore.

Revenues by Sales Department



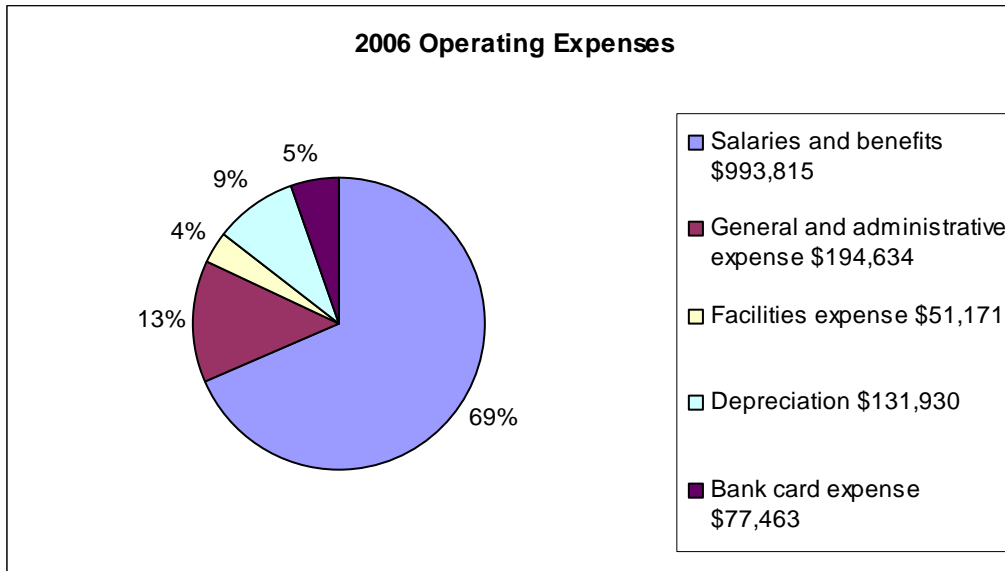
All Bookstore sales departments had sales increases during fiscal 2007 with the exception of new textbooks and computer products. Total textbook sales increased \$129,818 or 3.2% from 2006, a decrease of 3.1% from 2005. New Text sales decreased for the second year, down 11.4% from 2006 and 18.5% from 2005. Used text sales increased for the second consecutive year, up 31.4% from 2006 and 28.8% from 2005.

Emblematic sales increased \$47,749 or 8.1% from 2006 and 6.7% from 2005, gift sales increased \$16,822 or 15.0% from 2006 and 2.0% from 2005, and general book sales increased \$12,751 or 7.4% from 2006, a decrease of 7.8% from 2005.


Expenses by Major Source


Total Operating Expenses increased \$90,936 or 6.2% from the prior year to \$1,539,949. The change between 2006 and 2005 was an increase of \$157,842 or 12.2%. Operating Expenses were 26.6% of net sales compared to 25.9% in 2006 and 22.0% in 2005. The Bookstore's "operating expense ratio to sales" expectantly trails the industry average (24.2% Independent College Bookstore Association – ICBA average in 2006) largely because of the Bookstore's lower gross margin (10% discount and the 60% buy back in 2007) but also because of personnel costs.

Unaudited- See Accompanying Auditor's Reports



Salary and Benefit expense increased 4.3%, a result of a wage increases and hiring for a position which had been vacant for most of the previous year. In 2006, salary and benefit expense increased 12.8% over 2005 due to wage increases and increased student and temporary workers during the computer system conversion. The Bookstore experienced depreciation expense of \$130,723, as the inventory management system purchased in 2005 continues to be depreciated over a four year period through fiscal 2009.

Credit card expense was \$80,785 up 4.3% from the previous year due to continuing increases in the use of credit and debit cards. Credit card expense for 2006 was down 16.9% from 2005 due do lower fees for debit card use and new cash registers that would accept debit cards.

As a result of the 10% student textbook discount and higher buy back prices offered, the Bookstore's margin on textbooks was 14.3% in 2007 compared to the industry average of 26.4% (National Association of College Bookstores Financial Report, 2006) and 19.9% in 2006. The impact of the 10% discount is reflected in lower gross margin and revenue than comparable Bookstores.

Fiscal 2007's gross margin was 20.3% compared to the industry average of 26.8%. This lower gross margin is a direct result of the fact that the 10% discount applies to textbooks which comprise over 72% of Bookstore sales.

Economic Factors and Significant Events

The State of Washington passed legislation that went into effect this fiscal year to try to lower course material prices for students. The AS Bookstore has had an aggressive used book program for many years and had already implemented most of the legislative requirements. The Bookstore's communication mechanisms with faculty were further developed to help facilitate the shared goals for affordable course materials.

Web sales increased from \$77,115 to \$378,829 this year. The Bookstore processed approximately 1,900 on-line textbook orders for fall 2006, up from approximately 500 orders in fall 2005. The Bookstore has not charged a service fee for web orders though additional staff must be brought in each term to provide this service.

The Bookstore entered into a new revenue distribution agreement with Associated Students of WWU (ASWWU) this year. In recognition of the continuing challenges of managing the Bookstore while maintaining the 10% discount on textbooks, the ASWWU proposed and approved a new agreement that allows the Bookstore to retain the first \$25,000 of net income each year, and the Bookstore and ASWWU will split any net income over \$25,000. This agreement went into effect June 2007; therefore, no funds were distributed to the ASWWU this year.

The Bookstore is closely monitoring textbook distribution model changes that could have a significant effect on the college Bookstore industry. Market pressures and technology advances indicate a move toward direct sales from publishers to students in addition to industry exploration of digital course material delivery models with a limited role for college Bookstores. The industry is working closely with publishers to preserve a continued role for college bookstores in future course material distribution models and the Bookstore is active in these discussions.



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Independent Auditors' Report

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, 2007 and 2006, 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 management of the Bookstore. 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 net assets, results of operations, 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, 2007 and 2006, the results of operations or changes in net assets, 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, 2007 and 2006, 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 1 through 6 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, 2007 and 2006 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 18 through 21 for the years ended June 30, 2007 and 2006 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 audit 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, 2007 and 2006.

Other auditors previously audited in accordance with generally accepted auditing standards, the statement of Net Assets of the Bookstore as of June 30, 2005, 2004, and 2003, 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 they expressed unqualified opinions on those financial statements. The supplementary information included on pages 18 through 21 related to the Bookstore's 2005, 2004, and 2003 financial statements was subjected to auditing procedures applied in the audits of those basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements from which it had been derived.

KPMG LLP

September 28, 2007

ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets		
Cash and cash equivalents	\$ 240,690	\$ 163,699
Investments	805,790	601,248
Receivables	344,045	533,112
Inventory	728,941	1,116,783
Total current assets	<u>2,119,466</u>	<u>2,414,842</u>
Noncurrent assets		
Building, improvements and equipment, net	<u>1,776,182</u>	<u>1,906,905</u>
Total assets	<u><u>3,895,648</u></u>	<u><u>4,321,747</u></u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	277,058	338,701
Distribution payable to Associated Students of WWU	-	150,000
Distribution payable to WWU Athletics Department	31,993	29,576
Total current liabilities	<u>309,051</u>	<u>518,277</u>
Net Assets		
Invested in capital assets	1,776,182	1,906,905
Unrestricted	<u>1,810,415</u>	<u>1,896,565</u>
Total net assets	<u><u>\$ 3,586,597</u></u>	<u><u>\$ 3,803,470</u></u>

**ASSOCIATED STUDENTS BOOKSTORE
 STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN NET ASSETS**
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Sales, net of discounts	\$ 5,796,136	\$ 5,596,555
Cost of goods sold	4,617,203	4,259,258
Gross profit	<u>1,178,933</u>	<u>1,337,297</u>
Other Operating Revenues	<u>121,057</u>	<u>75,323</u>
Operating Expenses		
Salaries and benefits	1,036,578	993,815
General and administrative expense	237,107	194,634
Facilities expense	54,757	51,171
Depreciation	130,723	131,930
Bank card expense	80,784	77,463
Total operating expenses	<u>1,539,949</u>	<u>1,449,013</u>
Loss from operations	(239,959)	(36,393)
Nonoperating Revenues (Expenses)		
Investment income	39,579	39,394
Rental income	15,500	15,500
Distribution to Associated Students of WWU	-	(150,000)
Distribution to WWU Athletics Department	(31,993)	(29,576)
Total nonoperating revenues (expenses)	<u>23,086</u>	<u>(124,682)</u>
Decrease in net assets	(216,873)	(161,075)
Total Net Assets, Beginning of Year	<u>3,803,470</u>	<u>3,964,545</u>
Total Net Assets, End of Year	<u>\$ 3,586,597</u>	<u>\$ 3,803,470</u>

See Notes to Financial Statements

ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF CASH FLOWS
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$ 6,106,260	\$ 5,538,827
Payments to employees	(1,023,375)	(973,201)
Payments to suppliers	(4,676,853)	(4,690,850)
Net cash provided (used) by operating activities	<u>406,032</u>	<u>(125,224)</u>
Cash Flows from Noncapital Financing Activities		
Distribution to WWU Athletics Department	(29,576)	(29,983)
Distribution to Associated Students of WWU	(150,000)	(150,000)
Rental income	15,500	15,500
Net cash used by noncapital financing activities	<u>(164,076)</u>	<u>(164,483)</u>
Cash Flows from Investing Activities		
Investment income received	39,579	39,394
(Purchases) sales of investments in external pool	(204,544)	533,369
Net cash (used) provided by investing activities	<u>(164,965)</u>	<u>572,763</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	-	(333,869)
Net cash used by capital and related financing activities	<u>-</u>	<u>(333,869)</u>
Net increase (decrease) in cash and cash equivalents	76,991	(50,813)
Cash and cash equivalents, beginning of year	163,699	214,512
Cash and cash equivalents, end of year	<u>\$ 240,690</u>	<u>\$ 163,699</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities		
Loss from operations	\$ (239,959)	\$ (36,393)
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	130,723	131,930
Change in operating assets and liabilities		
Receivables	189,067	(133,051)
Accounts payable and accrued expenses	(61,641)	121,033
Inventory	387,842	(208,743)
Net cash provided (used) by operating activities	<u>\$ 406,032</u>	<u>\$ (125,224)</u>

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOrganization

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 manages its net operating proceeds for the purposes of student programs. The Bookstore is a discount retailer of textbooks, supplies and general merchandise. Approximately 95% of the Bookstore's revenue comes from sales to students, faculty, and departments of WWU.

Financial Statement 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.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and establishes an allowance (based on historical collection rates) for recognizing the potential bad debt. When an account is deemed uncollectible, it is generally written off against the allowance. Management determined that no allowance was necessary at June 30, 2007 or 2006.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (first-in, first-out 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, 40 years for improvements, and 4 to 7 years for equipment.

Net Assets

The Bookstore's net assets are classified as follows:

Invested in capital assets. This represents the Bookstore's total investment in capital assets.

Unrestricted net assets. Unrestricted net assets represent 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 of auxiliary enterprises.

Non-operating revenues. Non-operating revenues include activities that have the characteristics of non exchange transactions, such as investment income.

Tax Exemption

The University, and the Bookstore as an auxiliary enterprise, is a tax-exempt organization 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.

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 included in these financial statements.

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 INVESTMENT

To maximize investment income, WWU combines funds from all departments into an investment pool. The Bookstore records their percentage 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.

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).

	2007	Weighted Average Maturity	2006	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$240,690	4.1 months	\$163,699	5.2 months
Investments				
WWU Investment Pool	\$805,790	4.1 months	\$601,248	5.2 months

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year. In accordance with WWU's Investment Policy, no investment maturity exceeds five years.

The WWU pooled investment with the LGIP is invested in high-quality, short-term investments. All investments are required to be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. Investments 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 include:

	2007	2006
Credits due from publishers	\$ 307,454	\$ 525,701
Accounts receivable	36,591	7,411
	<u>\$ 344,045</u>	<u>\$ 533,112</u>

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore's annual appropriation for distribution to ASWWU was formerly based on a fixed dollar level agreement between the two entities, and was included in ASWWU'S budget. The agreement stated that \$150,000 per year would be contributed from the Bookstore through fiscal 2006 and used during the following ASWWU budget year.

The Bookstore and the Associated Students Board (AS Board) entered into a new revenue sharing agreement commencing during the fiscal 2007 year. 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 will be in effect until June 30, 2011 when it will be renegotiated with the AS Board. The distribution for the years ended June 30, 2007 and 2006 was zero and \$150,000, respectively.

Beginning in 2003, the Bookstore agreed to make an annual appropriation for distribution to the WWU Athletics Department. The appropriation is based on 5% of emblematic clothing and hat sales after discounts. The appropriation for the years ended June 30, 2007 and 2006, was \$31,993 and \$29,576, respectively, and was paid subsequent to year end.

NOTE 5. RENTAL AGREEMENT

The Bookstore has an agreement with the United States Post Office to rent a portion of the Viking Union for \$15,500 per year.

NOTE 6. BUILDINGS, IMPROVEMENTS, AND EQUIPMENT

	June 30, 2006	Additions	Retirements	June 30, 2007
Building improvements	\$ 1,867,033	\$ -	\$ -	\$ 1,867,033
Fixtures and equipment	660,272	-	(11,164)	649,108
	<u>2,527,305</u>	<u>-</u>	<u>(11,164)</u>	<u>2,516,141</u>
Less accumulated depreciation	(620,400)	(130,723)	11,164	(739,959)
Building Improvements and Equipment, net	<u>\$ 1,906,905</u>	<u>\$ (130,723)</u>	<u>\$ -</u>	<u>\$ 1,776,182</u>

	June 30, 2005	Additions	Retirements	June 30, 2006
Building improvements	\$ 1,867,033	\$ -	\$ -	\$ 1,867,033
Fixtures and equipment	344,084	333,869	(17,681)	660,272
	<u>2,211,117</u>	<u>333,869</u>	<u>(17,681)</u>	<u>2,527,305</u>
Less accumulated depreciation	(506,151)	(131,930)	17,681	(620,400)
Building Improvements and Equipment, net	<u>\$ 1,704,966</u>	<u>\$ 201,939</u>	<u>\$ -</u>	<u>\$ 1,906,905</u>

NOTE 7. 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. The 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 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 approximately \$28,443 and \$16,509 to these plans in 2007 and 2006, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

SUPPLEMENTAL INFORMATION

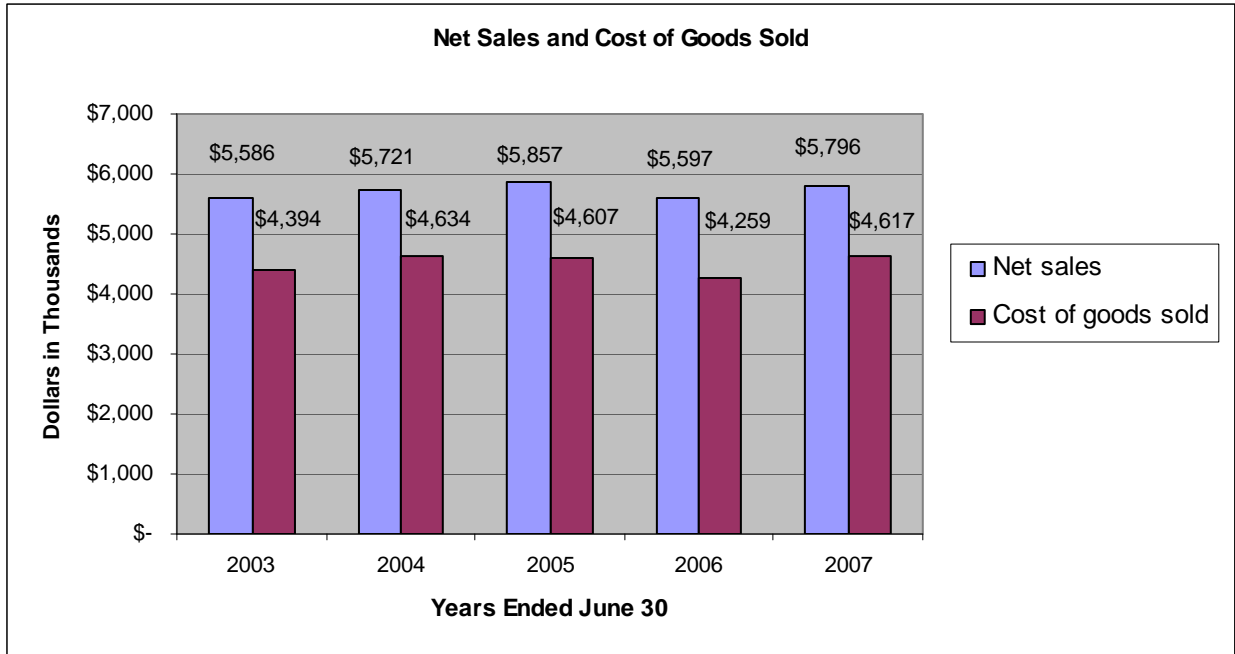
FIVE-YEAR CONDENSED VIEW OF STATEMENT OF NET ASSETS
 Years ended June, 30, 2007, 2006, 2005, 2004, and 2003

Assets	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 2,119,466	\$ 2,414,842	\$ 2,657,230	\$ 2,487,343	\$ 2,548,083
Non-current assets	<u>1,776,182</u>	<u>1,906,905</u>	<u>1,704,966</u>	<u>1,769,608</u>	<u>1,837,011</u>
Total assets	<u>3,895,648</u>	<u>4,321,747</u>	<u>4,362,196</u>	<u>4,256,951</u>	<u>4,385,094</u>
 Liabilities					
Accounts payable and accruals	277,058	338,701	217,668	189,150	186,405
Due to other WWU departments	<u>31,993</u>	<u>179,576</u>	<u>179,983</u>	<u>172,308</u>	<u>172,475</u>
 Total Net Assets	 <u><u>\$ 3,586,597</u></u>	 <u><u>\$ 3,803,470</u></u>	 <u><u>\$ 3,964,545</u></u>	 <u><u>\$ 3,895,493</u></u>	 <u><u>\$ 4,026,214</u></u>
Current ratio (current assets/current liabilities)	6.86	4.66	6.68	6.88	7.10
Return on assets (change in net assets/total assets)	-5.57%	-3.73%	1.58%	-3.07%	-0.96%

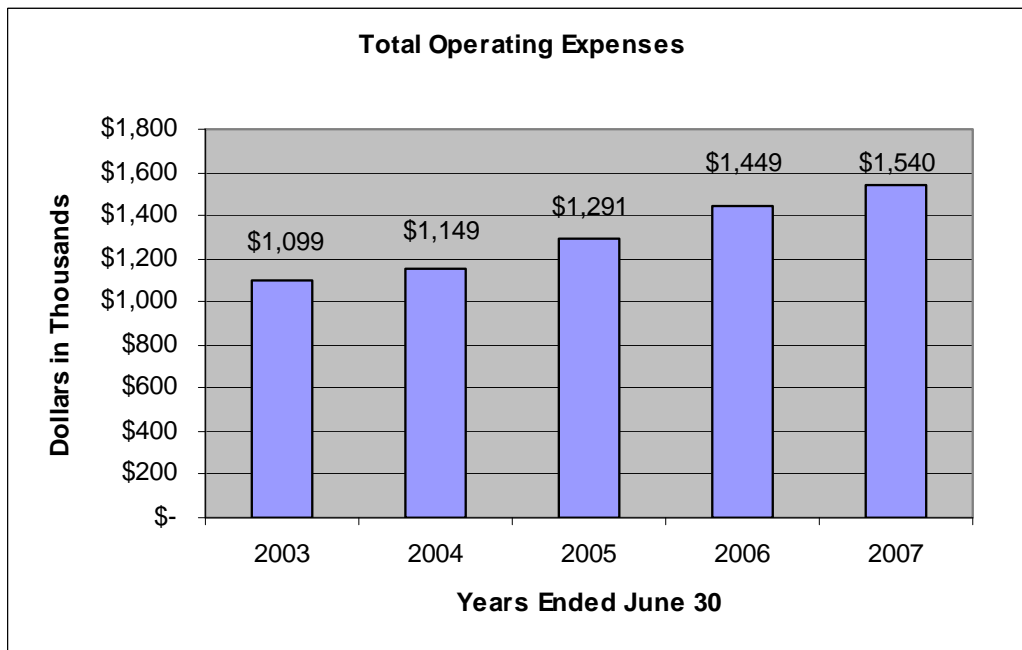
FIVE-YEAR REVENUE AND EXPENSE SUMMARY
 Years ended June, 30, 2006, 2005, 2004, 2003, and 2002

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net sales	\$ 5,796,136	\$ 5,596,555	\$ 5,857,481	\$ 5,721,159	\$ 5,586,278
Cost of goods sold	<u>4,617,203</u>	<u>4,259,258</u>	<u>4,607,315</u>	<u>4,634,480</u>	<u>4,394,367</u>
Gross profit	1,178,933	1,337,297	1,250,166	1,086,679	1,191,911
Other Operating Revenues	121,057	75,323	101,399	66,918	60,174
Operating expenses					
Salaries and benefits	1,036,578	993,815	881,227	762,913	752,126
General and administrative expense	237,107	194,634	198,566	180,593	149,585
Facilities expense	54,757	51,171	53,560	55,835	55,613
Depreciation	130,723	131,930	64,642	67,403	67,725
Bank card expense	80,784	77,463	93,176	81,831	73,653
	<u>1,539,949</u>	<u>1,449,013</u>	<u>1,291,171</u>	<u>1,148,575</u>	<u>1,098,702</u>
(Loss) income from operations	(239,959)	(36,393)	60,394	5,022	153,383
Nonoperating revenues (expenses)					
Investment income	39,579	39,394	28,141	21,065	23,599
Rental income	15,500	15,500	15,500	15,500	15,500
Contribution for Sequoia system	-	-	150,000	-	-
Distribution to Associated Students of WWU	-	(150,000)	(155,000)	(145,000)	(145,050)
Distribution to WWU Athletics Department	<u>(31,993)</u>	<u>(29,576)</u>	<u>(29,983)</u>	<u>(27,308)</u>	<u>(27,425)</u>
	<u>23,086</u>	<u>(124,682)</u>	<u>8,658</u>	<u>(135,743)</u>	<u>(133,376)</u>
(Decrease) increase in net assets	<u>\$ (216,873)</u>	<u>\$ (161,075)</u>	<u>\$ 69,052</u>	<u>\$ (130,721)</u>	<u>\$ 20,007</u>
Gross profit percentage	20.34%	23.90%	21.34%	18.99%	21.34%

FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



FIVE-YEAR INCOME FROM OPERATIONS AND GROSS PROFIT AS PERCENTAGE OF SALES

