WESTERN
WASHINGTON UNIVERSITY

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Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provide an overview of the financial position and activities of Western Washington University's Associated Students Bookstore (the Bookstore) for the years ended June 30, 2008, 2007, and 2006. 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. 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, 2008, 2007, and 2006:

ASSETS	2008	2007	2006
Current Assets	$ 2,467,562	$ 2,119,466	$ 2,414,842
Capital Assets	1,645,772	1,776,182	1,906,905
Total assets	4,113,334	3,895,648	4,321,747
LIABILITIES			
Current liabilities	378,627	309,051	518,277
Total liabilities	378,627	309,051	518,277
NET ASSETS			
Invested in capital assets	1,645,772	1,776,182	1,906,905
Net assets, unrestricted	2,088,935	1,810,415	1,896,565
Total net assets	$ 3,734,707	$ 3,586,597	$ 3,803,470

Current assets increased $348,096 from fiscal 2007 and decreased $295,376 comparing fiscal 2007 to 2006.

Inventory balances increased slightly from fiscal 2007 and decreased 34.7% between 2007 and 2006 due to increased sales, decreases in purchases, and a concentrated effort by management to dispose of obsolete inventory.

Capital assets decreased $130,410 from fiscal 2007 to fiscal 2008 as the Sequoia point-of-sale system continues to be depreciated. This amount is consistent with depreciation expense of $130,723 and $131,930 for fiscal years 2007 and 2006, respectively. The Bookstore experienced an increase in total net assets of $148,110 over the prior year.

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, 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 Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2008, 2007, and 2006:

	2008	2007	2006
Sales, net of discounts	$6,439,936	$5,796,136	$5,596,555
Cost of goods sold	4,850,535	4,617,203	4,259,258
Gross profit	1,589,401	1,178,933	1,337,297
Other operating revenues	118,298	121,057	75,323
Operating expenses	1,456,814	1,539,949	1,449,013
Income (loss) from operations	250,885	(239,959)	(36,393)
Nonoperating (expenses) revenues	(102,775)	23,086	(124,682)
Changes in net assets	148,110	(216,873)	(161,075)
Net assets, beginning of year	3,586,597	3,803,470	3,964,545
Net assets, end of year	$3,734,707	$3,586,597	$3,803,470

The Bookstore's largest component of revenue is new and used textbook sales which comprise 72.8% of Bookstore revenue, up from 71.6% in 2007 and 71.8% in 2006. Textbook sales are shown net of the 10%

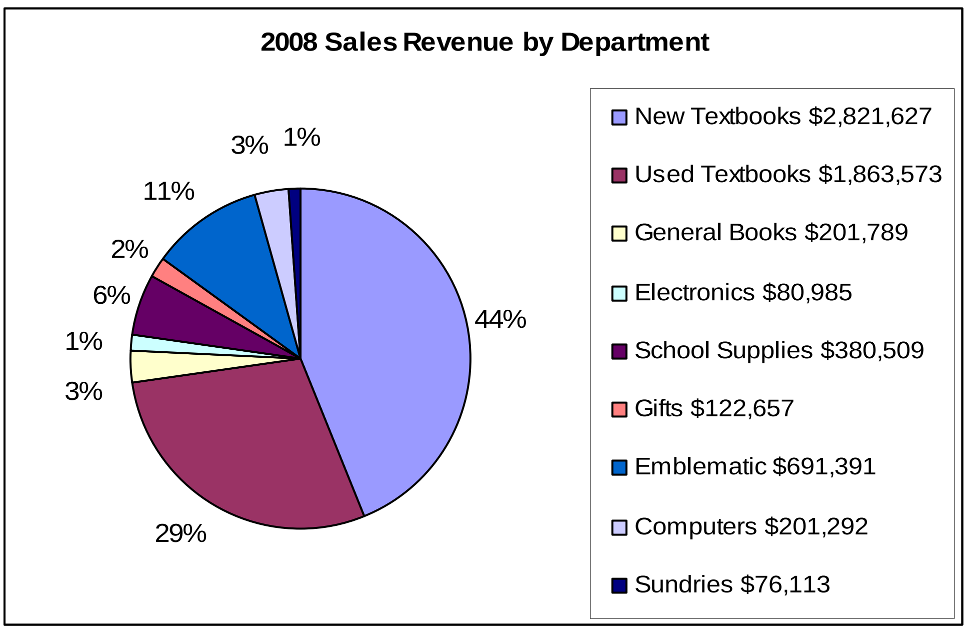
student discount, which was valued at over $520,000, an increase from $460,000 in 2007 and $448,000 in 2006. This level of discount is rare in today's college store industry and is evidence of the Associated Students' and the University's continued commitment to keep course material costs as low as possible.

Net Sales for the year (after the 10% student textbook discount) were $6,439,936, an increase of 11.1% from 2007, while fiscal 2007 increased 3.6% over fiscal 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 $1,863,573, an increase of $61,124, or 3.4% from 2007 and up from $1,372,162 in 2006. The increase this year was due to several factors, which include improved used book acquisition capabilities as a result of the inventory management system and continuing efforts to buy more books from Western students via an increase in marketing of used book availability at the Bookstore.

Other operating revenue decreased slightly from fiscal 2007. In fiscal 2007, there was an increase of $45,734 over fiscal 2006 as a result of increases in buy back commissions. The increase in 2007 was due to the receipt of commissions on computer purchases for two fiscal years, 2007 and 2006.

Revenues by Sales Department

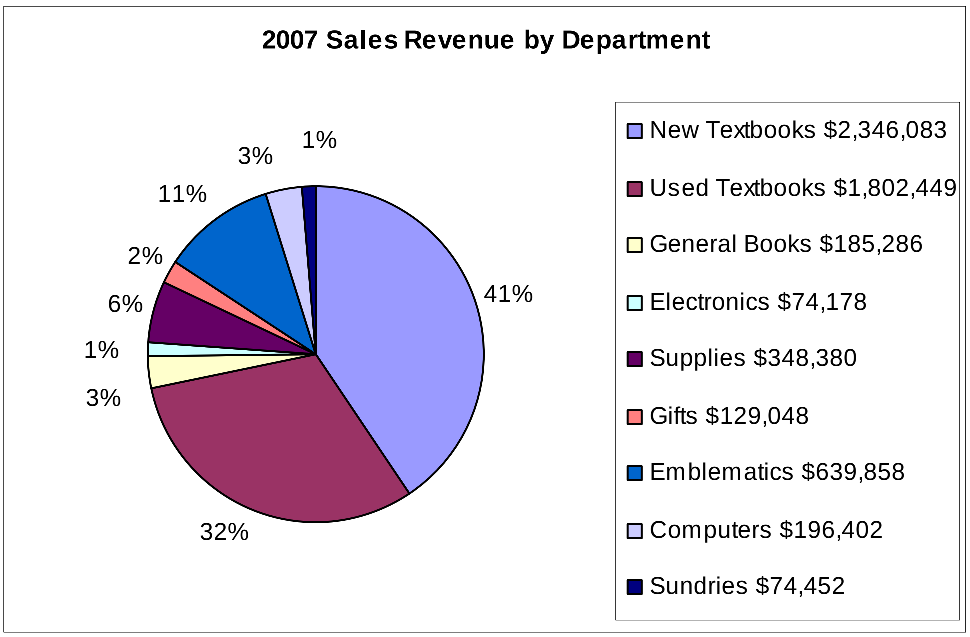


Post Office revenues and expenses are no longer reported in the Bookstore's financial statements beginning in fiscal 2008, as state funds were allocated to support the net cost of operations. In 2007, $15,500 of rental revenue from the Post Office was reported as non-operating revenue, and $50,000 of expenses was shown as operating expenses.

Non-operating expenses increased nearly $126,000 over fiscal 2007, reflecting a larger distribution to the Associated Students according to the net income sharing agreement. $123,110 was distributed in 2008; zero was distributed in 2007.

Cost of Goods Sold increased 5.1% from the previous year on net sales that increased 11.1%. Gross profit increased by 34.8% or $410,468 when compared to 2007, and decreased 11.8% or $158,364 comparing 2007 to 2006. The increase in 2008 gross margin is a result of the return to a 50% of new price textbook buyback, rather than 60%, and lower inventory shrinkage along with improved accuracy of invoice entry into the system, which drives the calculation of new and used textbook pricing. New textbooks are priced based on the publisher's list or net pricing of books and used textbooks are priced at 75% of the new textbooks selling price.

All Bookstore departments had sales increases during fiscal 2008 with the exception of the Gift department. Total gift sales decreased $6,391 or 5.0% from 2007. These sales increased 15% compared with 2006. The decrease in gift sales can be related to the health concerns regarding Nalgene water bottles and a shift in responsibilities of the gift department buyer. Due to the vacant Assistant Manager/Sportswear Buyer position, the gift buyer assumed responsibilities for the emblematic sportswear department during the later part of 2008.



Total new textbook sales were 60.2% of total textbook sales in 2008 compared to 56.6% in 2007. Used textbook sales were 39.8% of total textbook sales in 2008 compared to the recent high of 43.4% in 2007. Shifts in the proportion of new vs. used textbook sales can be attributed to a combination of the changes in instructors' choice of class material, the availability of used books, and some new custom textbooks that were priced as used textbooks, resulting in higher sales in the new textbook category. The store's used book ratio compares favorably with the industry average of 31.1% for 2007 (ICBA 2006-2007 Operating Survey).

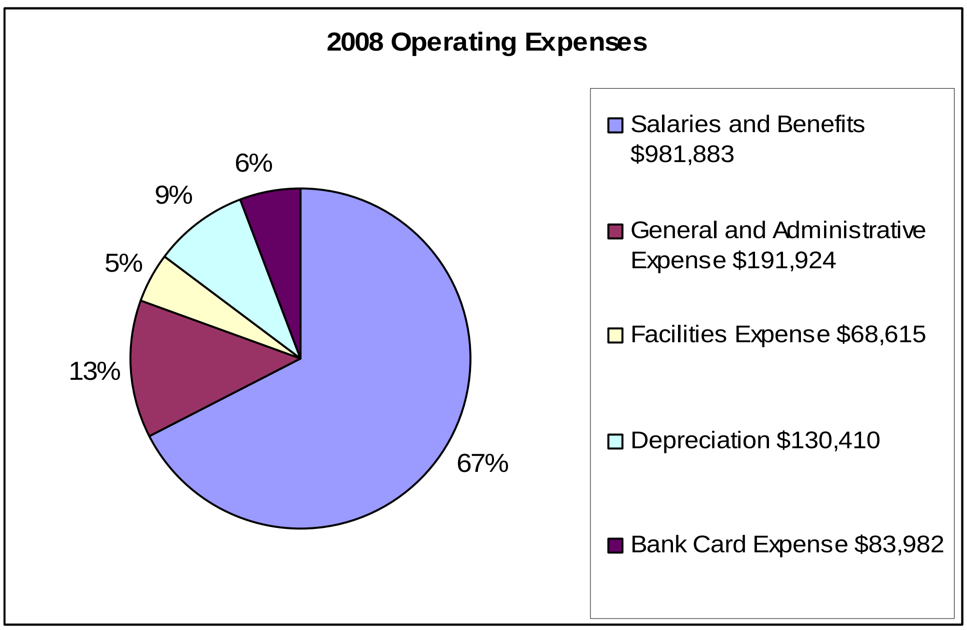
Emblematic sales increased for the third consecutive year: up $51,533 or 8.1% from 2007 and up 8.1% between 2007 and 2006. General book sales increased $16,503 or 8.9% from 2007 and 7.4% from 2006 to 2007. Both the emblematic and general book departments' sales increase can be attributed to continued marketing efforts. The emblematic department has focused on changing displays more frequently, re-merchandising the sales floor, and increasing its presence and merchandise selection on the internet. Internet sales of emblematic items have increased $7,818 or 21.3% from 2008 compared to 2007. General book department sales increased as a result of more concentration on moving merchandise to draw customers into that area, continued support of the "Western

Reads" program where all new students are given a chosen book to read and discuss, and increasing the Bookstore's presence at events held on campus.

Web sales of textbook and emblematic items were $283,741 in the current year, a decrease of 25.15% from the prior year. Approximately 1,077 on-line textbook orders were processed for Fall 2007, compared to approximately 1,900 orders in Fall 2006. Processing web orders is labor intensive. The decrease in web orders was due to the decision to set the deadline for website textbooks sales earlier than in Fall 2006 to allow sufficient time to process orders in a more expedient manner. The Bookstore has not yet charged a service fee for web orders.

Expenses by Major Source

Total Operating Expenses were $1,456,814, a decrease of $83,135 or 5.4% from the prior year. The total change between 2007 and 2006 was an increase of $90,936 or 6.3%. Operating Expenses were 22.6% of net sales compared to 26.6% in 2007 and 25.9% in 2006. The Bookstore's "operating expense ratio to sales" was better than the industry average (23.3% Independent College Bookstore Association – ICBA average in 2007) largely due to the Bookstore's lower personnel costs for 2008.



Salary and Benefit expense decreased 5.3% as a result of two unfilled management positions. In January 2008, the Bookstore General Manager resigned to accept a promotion at another college bookstore. A search is underway to fill this position, and an existing staff member is filling the role in the interim. In March 2008, one of the Assistant Bookstore Managers accepted a new position and resigned to relocate.

This position is remaining vacant while the search for the General Manager is conducted, and responsibilities have been reassigned to existing staff. The estimated net payroll savings from the two unfilled positions was $70,000 for 2008 and savings will continue in 2009. In 2007, salary and benefit expense increased 4.3% over 2006 due to state mandated position salary adjustments as well as across the board salary and benefit increases.

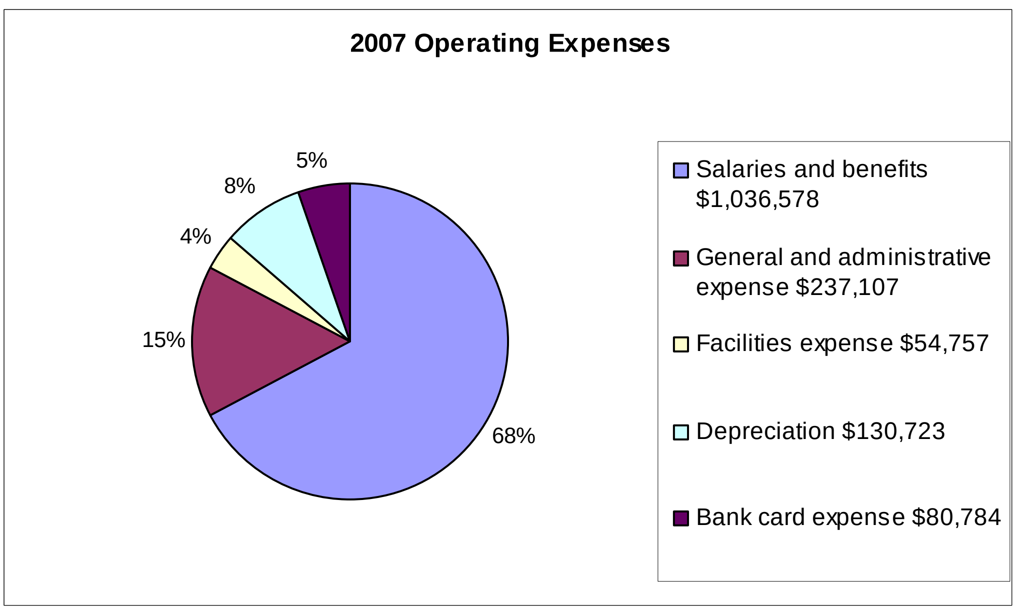
The Bookstore incurred depreciation expense of $130,410, as the inventory management system purchased in 2005 continues to be depreciated over a four year period through fiscal 2009.

Credit card expense was $83,982, up 4.0% from the previous year, and 2007 was 4.3% or $3,321 higher than 2006 due primarily to continuing increases in the use of credit and debit cards and increased sales volume. Failure of debit card equipment during Spring 2008 increased expense by approximately $6,000. The Bookstore entered into a new revenue distribution agreement with Associated Students (AS) in 2007.

In recognition of the continuing challenges of managing a Bookstore in the current competitive market and in prioritizing the maintenance of the 10% discount on textbooks, the AS proposed and approved an agreement that allows the Bookstore to retain the first $25,000 of net income each year, with the remaining net income evenly split between the Bookstore and AS. This agreement went into effect June 2007. The distribution to the AS for 2008 was $123,110. Since net income was negative in 2007, there was no distribution to the AS in that year.

The Bookstore's margin on textbooks expectedly trails the industry average largely due to the 10% student textbook discount. The margin on textbooks was 20.5% in 2008 and 14.3% in 2007 compared to the industry average of 26.6% for 2007 (National Association of College Bookstores Financial Report, 2007). The increase in textbook margin is a result of the Bookstore's return to a 50% retail buyback program and improved accuracy of invoice entry into the computer system, which drives the calculation of new and used textbook margins and pricing.

Total store gross margin was 24.7% for 2008 compared to the industry average of 27.7% for 2007. This lower gross margin is a direct result of the 10% textbook discount which comprises over 72% of Bookstore sales.



Economic Factors and Significant Events

The State of Washington passed legislation affecting college bookstores, faculty and publishers that went into effect in 2008 and 2007 in an effort to keep course material prices affordable for students. The AS Bookstore has had an aggressive used book program for many years and had already implemented most of these legislative requirements. The Bookstore continues to use communication mechanisms with faculty to further develop and to help facilitate the shared goals for affordable course materials.

KPMG

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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007, 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 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 consist 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, 2008 and 2007 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 22 for the years ended June 30, 2008 and 2007 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, 2008 and 2007.

KPMG

We have also previously audited, in accordance with generally accepted auditing standards, the statement of net assets of the Bookstore as of June 30, 2006 and the related and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. The supplementary information included on pages 18 through 22 related to the Bookstore's 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.

Other auditors previously audited in accordance with generally accepted auditing standards, the statement of net assets of the Bookstore as of June 30, 2005 and 2004, 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 22 related to the Bookstore's 2005 and 2004 financial statements was subject 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

Seattle, Washington
September 18, 2008

ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF NET ASSETS — *June 30, 2008 and 2007*

Assets	**2008**	**2007**
Current assets		
Cash and cash equivalents	$ 160,156	$ 240,690
Investments	1,146,184	805,790
Receivables	425,899	344,045
Inventory	735,323	728,941
Total current assets	2,467,562	2,119,466
Noncurrent assets		
Building, improvements and equipment, net	1,645,772	1,776,182
Total assets	4,113,334	3,895,648
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	220,947	277,058
Distribution payable to Associated Students of WWU	123,110	-
Distribution payable to WWU Athletics Department	34,570	31,993
Total current liabilities	378,627	309,051
Net Assets		
Invested in capital assets	1,645,772	1,776,182
Unrestricted	2,088,935	1,810,415
Total net assets	$ 3,734,707	$ 3,586,597

WESTERN
WASHINGTON UNIVERSITY

ASSOCIATED STUDENTS BOOKSTORE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Sales, net of discounts	$ 6,439,936	$ 5,796,136
Cost of goods sold	4,850,535	4,617,203
Gross margin	1,589,401	1,178,933
Other Operating Revenues	118,298	121,057
Operating Expenses		
Salaries and benefits	981,883	1,036,578
General and administrative expense	191,924	237,107
Facilities expense	68,615	54,757
Depreciation	130,410	130,723
Bank card expense	83,982	80,784
Total operating expenses	1,456,814	1,539,949
Income (loss) from operations	250,885	(239,959)
Nonoperating Revenues (Expenses)		
Investment income	54,905	39,579
Rental income	-	15,500
Distribution to Associated Students of WWU	(123,110)	-
Distribution to WWU Athletics Department	(34,570)	(31,993)
Total nonoperating revenues (expenses)	(102,775)	23,086
Increase (decrease) in net assets	148,110	(216,873)
Total Net Assets, Beginning of Year	3,586,597	3,803,470
Total Net Assets, End of Year	$ 3,734,707	$ 3,586,597

WESTERN
WASHINGTON UNIVERSITY

ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF CASH FLOWS

June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Cash received from students and other customers	$ 6,476,380	$ 6,106,260
Payments to employees	(996,334)	(1,023,375)
Payments to suppliers	(5,243,098)	(4,676,853)
Net cash provided by operating activities	236,948	406,032
Cash Flows from Noncapital Financing Activities		
Distribution to WWU Athletics Department	(31,993)	(29,576)
Distribution to Associated Students of WWU	-	(150,000)
Rental income	-	15,500
Net cash used in noncapital financing activities	(31,993)	(164,076)
Cash Flows from Investing Activities		
Investment income received	54,905	39,579
Purchases of investments in external pool	(340,394)	(204,544)
Net cash flows provided by investing activities	(285,489)	(164,965)
Net change in cash and cash equivalents	(80,534)	76,991
Cash and cash equivalents, beginning of year	240,690	163,699
Cash and cash equivalents, end of year	$ 160,156	$ 240,690
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Income (loss) from operations	$ 250,885	$ (239,959)
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	130,410	130,723
Change in operating assets and liabilities		
Receivables	(81,854)	189,067
Accounts payable and accrued expenses	(56,111)	(61,641)
Inventory	(6,382)	387,842
Net cash provided by operating activities	$ 236,948	$ 406,032

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 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 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.

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.

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, 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, 2007 financial statements have been reclassified to conform to the June 30, 2008 financial statement presentation.

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 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.

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).

	2008	Weighted Average Maturity	2007	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	$ 160,156	n/a	$240,690	n/a
Investments				
WWU Investment Pool	$1,146,184	3.1 months	$805,790	4.1 months

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year. 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. 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 include:

	2008	2007
Credits due from publishers	$ 392,386	$ 307,454
Accounts receivable	33,513	36,591
	$ 425,899	$ 344,045

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a new 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 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, 2008 and 2007 was $123,110 and zero, 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, 2008 and 2007, was $34,570 and $31,993 respectively, and was paid subsequent to year end.

NOTE 5. RENTAL AGREEMENT

The United States Post Office has an agreement with the Bookstore to rent a portion of the Viking Union for $15,500 per year. In 2007 the Bookstore reported the rental income and related expenses of the post office in the financial statements. During fiscal 2008, the University funded the operation of the post office with state funds. As of June 30, 2008 the rental income and the expenses from the post office are no longer reported in the Bookstore's financial statements.

NOTE 6. BUILDINGS, IMPROVEMENTS, AND EQUIPMENT

The depreciation expense for the fiscal years ended June 30, 2008 and 2007 was $130,410 and $130,723, respectively.

Following are the changes in building and equipment for the year ended June 30, 2008:

	June 30, 2007	Additions	Retirements	June 30, 2008
Building improvements	$1,867,033	$ -	$ -	$1,867,033
Fixtures and equipment	649,108	-	-	649,108
	2,516,141	-	-	2,516,141
Less accumulated depreciation	(739,959)	(130,410)	-	(870,369)
Building Improvements and Equipment, net	$1,776,182	$ (130,410)	$ -	$1,645,772

	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
	2,527,305	-	(11,164)	2,516,141
Less accumulated depreciation	(620,400)	(130,723)	11,164	(739,959)
Building Improvements and Equipment, net	$1,906,905	$ (130,723)	$ -	$1,776,182

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. 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 $36,930 and $28,443 to these plans in 2008 and 2007, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

During the 2008 fiscal year, the University adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local governmental employers. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service. The Statement also provides information about actuarial accrued liabilities (AAL) associated with OPEB and whether and to what extent progress is being made in funding the plan.

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 ultimately responsible for the obligation; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

SUPPLEMENTAL INFORMATION

FIVE-YEAR CONDENSED VIEW OF STATEMENT OF NET ASSETS
Years ended June, 30, 2008, 2007, 2006, 2005, and 2004

Assets	2008	2007	2006	2005	2004
Current assets	$2,467,562	$ 2,119,466	$2,414,842	$2,657,230	$ 2,487,343
Non-current assets	1,645,772	1,776,182	1,906,905	1,704,966	1,769,608
Total assets	4,113,334	3,895,648	4,321,747	4,362,196	4,256,951
Liabilities					
Accounts payable and accruals	220,947	277,058	338,701	217,668	189,150
Due to other WWU departments	157,680	31,993	179,576	179,983	172,308
Total Net Assets	$3,734,707	$ 3,586,597	$3,803,470	$3,964,545	$ 3,895,493
Current ratio (current assets/current liabilities)	6.52	6.86	4.66	6.68	6.88
Return on assets (change in net assets/total assets)	3.60%	-5.57%	-3.73%	1.58%	-3.07%

FIVE-YEAR REVENUE AND EXPENSE SUMMARY
Years ended June 30, 2008, 2007, 2006, 2005, and 2004

	2008	2007	2006	2005	2004
Net sales	$ 6,439,936	$ 5,796,136	$ 5,596,555	$ 5,857,481	$ 5,721,159
Cost of goods sold	4,850,535	4,617,203	4,259,258	4,607,315	4,634,480
Gross profit	1,589,401	1,178,933	1,337,297	1,250,166	1,086,679
Other Operating Revenues	118,298	121,057	75,323	101,399	66,918
Operating expenses					
Salaries and benefits	981,883	1,036,578	993,815	881,227	762,913
General and administrative expense	191,924	237,107	194,634	198,566	180,593
Facilities expense	68,615	54,757	51,171	53,560	55,835
Depreciation	130,410	130,723	131,930	64,642	67,403
Bank card expense	83,982	80,784	77,463	93,176	81,831
	1,456,814	1,539,949	1,449,013	1,291,171	1,148,575
(Loss) income from operations	250,885	(239,959)	(36,393)	60,394	5,022
Nonoperating revenues (expenses)					
Investment income	54,905	39,579	39,394	28,141	21,065
Rental income	-	15,500	15,500	15,500	15,500
Contribution for Sequoia system	-	-	-	150,000	-
Distribution to Associated Students of WWU	(123,110)	-	(150,000)	(155,000)	(145,000)
Distribution to WWU Athletics Department	(34,570)	(31,993)	(29,576)	(29,983)	(27,308)
	(102,775)	23,086	(124,682)	8,658	(135,743)
(Decrease) increase in net assets	$ 148,110	$ (216,873)	$ (161,075)	$ 69,052	$ (130,721)
Gross profit percentage	24.68%	20.34%	23.90%	21.34%	18.99%

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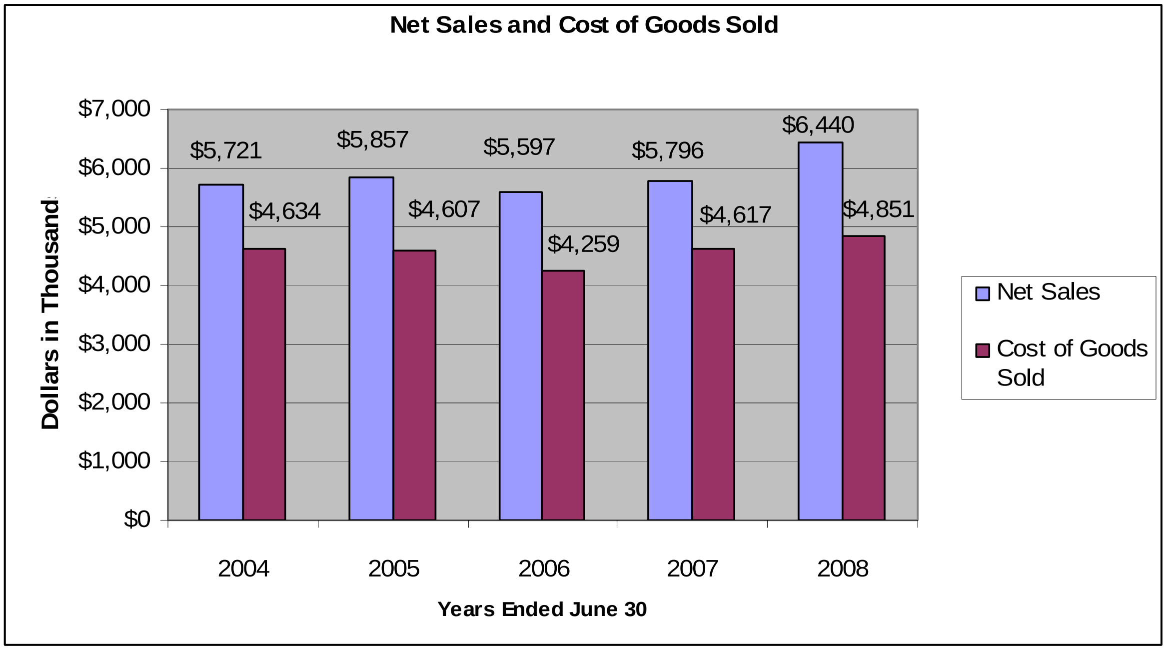
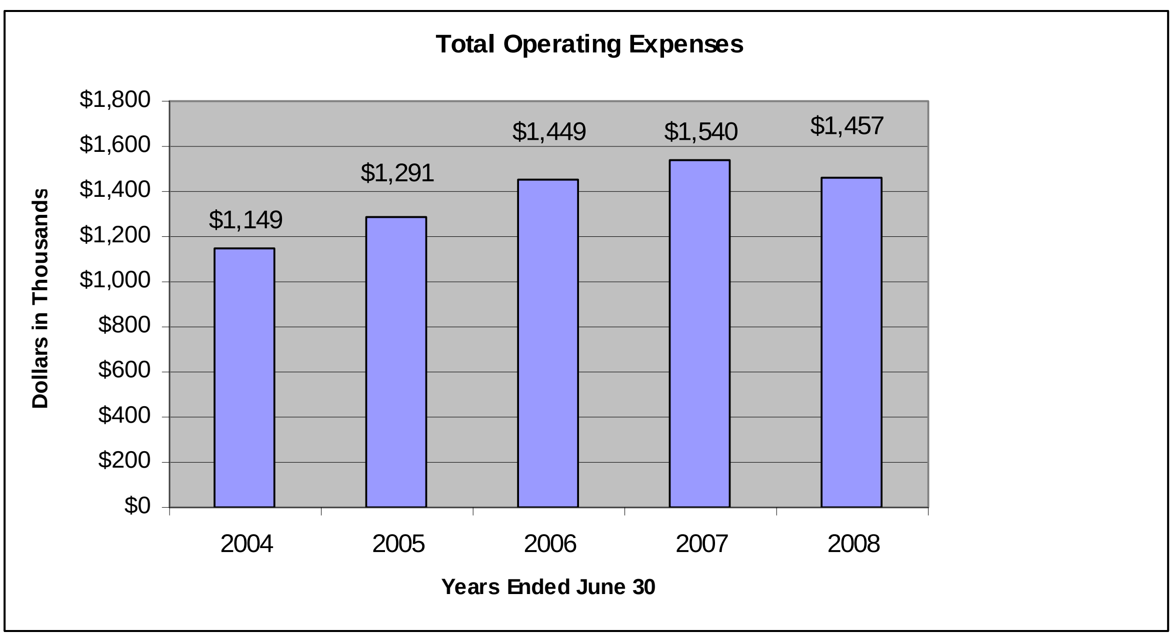
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



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