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

***June 30, 2009 and 2008***

**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, 2009, 2008 and 2007. 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, 2009, 2008 and 2007:

<b>ASSETS</b>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current Assets	\$2,833,919	\$2,410,867	\$2,016,335
Noncurrent Assets	23,951	56,695	103,131
Capital Assets	<u>1,515,718</u>	<u>1,645,772</u>	<u>1,776,182</u>
Total assets	4,373,588	4,113,334	3,895,648
 <b>LIABILITIES</b>			
Current liabilities	<u>448,442</u>	<u>378,627</u>	<u>309,051</u>
Total liabilities	448,442	378,627	309,051
 <b>NET ASSETS</b>			
Invested in capital assets	1,515,718	1,645,772	1,776,182
Net assets, unrestricted	2,393,850	2,088,935	1,810,415
Net assets, restricted	<u>15,578</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$3,925,146</u>	<u>\$3,734,707</u>	<u>\$3,586,597</u>

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

***June 30, 2009 and 2008***

The Bookstore had another successful year, increasing its total net assets for the second year in a row. At June 30, 2009, total net assets were \$3,925,146, an increase of \$190,439 (5.1%) from fiscal 2008 and \$148,110 when comparing fiscal 2008 to fiscal 2007 (4.1%). Current assets increased \$423,052 (17.5%) over 2008 and fiscal 2008 increased \$394,532 (19.6%) over fiscal 2007.

Capital assets continued to decrease as no capital assets were acquired and existing assets continue to be depreciated.

Total liabilities increased \$69,815 (18.4%) due to the timing of payments and an increase of \$42,330 in the transfer amount due to the Associated Students when compared to fiscal 2008. The increase between fiscal years 2008 and 2007 was \$69,576 (22.5%).

Net unrestricted assets increased by \$304,915 (14.6%) over fiscal 2008. Fiscal 2008 had an increase of \$278,520 (15.4%) over fiscal 2007. The Bookstore has restricted assets of \$15,578 at fiscal 2009, representing the remaining cash from a contribution by the Associated Students of \$30,000 for funding of new equipment and software to supplement the Sequoia point of sale system. The Bookstore purchased \$14,422 in the current fiscal year with plans to spend the remaining amount in fiscal 2010. The assets purchased did not meet the Bookstore's capitalization threshold.

**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 received for 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 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 revenue and makes up the majority of nonoperating revenues.

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 a 10% discount on textbooks during fiscal 2009. This discount represents an approximate reduction of \$517,000 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 stores as well as the number of college bookstores offering a discount.

**ASSOCIATED STUDENTS BOOKSTORE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**June 30, 2009 and 2008**

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2009, 2008 and 2007:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Sales, net of discounts	\$6,321,569	\$6,439,936	\$5,796,136
Cost of goods sold	<u>4,710,880</u>	<u>4,850,535</u>	<u>4,617,203</u>
Gross profit	1,610,689	1,589,401	1,178,933
Other operating revenues	70,114	118,298	121,057
Operating expenses	<u>1,358,671</u>	<u>1,456,814</u>	<u>1,539,949</u>
Income (loss) from operations	322,132	250,885	(239,959)
Nonoperating (expenses) revenues	<u>(131,693)</u>	<u>(102,775)</u>	<u>23,086</u>
Changes in net assets	190,439	148,110	(216,873)
Net assets, beginning of year	<u>3,734,707</u>	<u>3,586,597</u>	<u>3,803,470</u>
Net assets, end of year	<u><u>\$3,925,146</u></u>	<u><u>\$3,734,707</u></u>	<u><u>\$3,586,597</u></u>

The gross margin percentage for the bookstore in fiscal 2009 was 25.5%, up from 24.7% in fiscal 2008. The average gross margin for stores reporting in the Independent College Bookstore Association (ICBA) Operating Survey for 2007-2008 was 27.7%.

The gross profit from sales in fiscal 2009 increased \$21,288 (1.3%) over fiscal 2008, despite an overall sales decrease of \$118,367 (-1.8%). This occurrence was primarily due to the continued shift toward more used books resulting in lower sales income but higher profit margins. As a result, total cost of goods was lower by \$139,655 (-2.9%) over fiscal 2008. Gross profit increased \$410,468 (34.8%) in fiscal 2008 when compared to fiscal 2007. The increase in fiscal 2008 was due to improved used book acquisition of the Sequoia system and continuing efforts to buy more books from Western students via an increase in marketing.

Textbook margins increased to 21.1% in fiscal 2009 from 20.5% in fiscal 2008 and 14.3% in fiscal 2007. Used books sell for 75.0% of the new book price but cost less and therefore carry a higher profit margin. Used books sales in fiscal 2009 comprised 44.6% of total textbook sales, up from 39.8% in fiscal 2008 and 43.5% in fiscal 2007. The ICBA average for used textbook sales as a percent of total textbook sales was 33.2% in 2008.

Computer and software gross margins increased in fiscal 2009 to 29.5% from 22.2% in fiscal 2008. This was a result of discontinuing the sale 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 2009 by \$48,184 (-40.7%) and fiscal 2008 had a decrease of \$2,759 (-2.3%) compared to fiscal 2007. This income consists primarily of commissions on books sold to wholesalers during buyback that could not be bought back at higher prices for resale in the Bookstore for the next term. The reduction in commission revenue actually reflects a positive outcome and is due to the University's shift in Fall

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

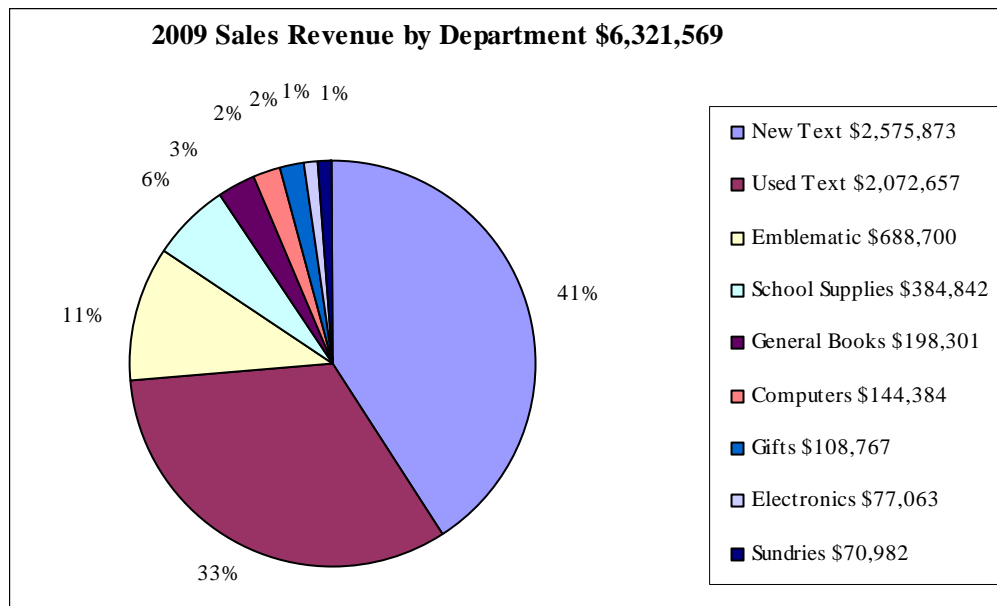
***June 30, 2009 and 2008***

quarter registration from August to May. Because there was a more complete list of textbooks for Fall 2009 available for Spring 2009 buyback, it enabled the Bookstore to purchase more used books for resale to students rather than used book wholesale companies buying back at lower rates.

Commission revenue declined, but there will be more used books available to students in fiscal 2010. Note that the earlier purchase of books held for resale caused an increase in inventory at year end. Commissions received due to the sale of Apple computer products ceased in fiscal 2008. This had an impact of \$25,366 in reduced commission between fiscal 2009 and 2008.

**Revenues by Sales Department**

Nearly three quarters of the Bookstore sales are textbook sales. New and used books sales accounted for 73.5% of total sales in fiscal 2009, up slightly from fiscal 2008 when textbook sales accounted for 72.8% and 71.6% in fiscal 2007. The ICBA 2007-2008 Operating Survey indicates that among stores reporting, textbook sales are 57.4% of total sales on average.



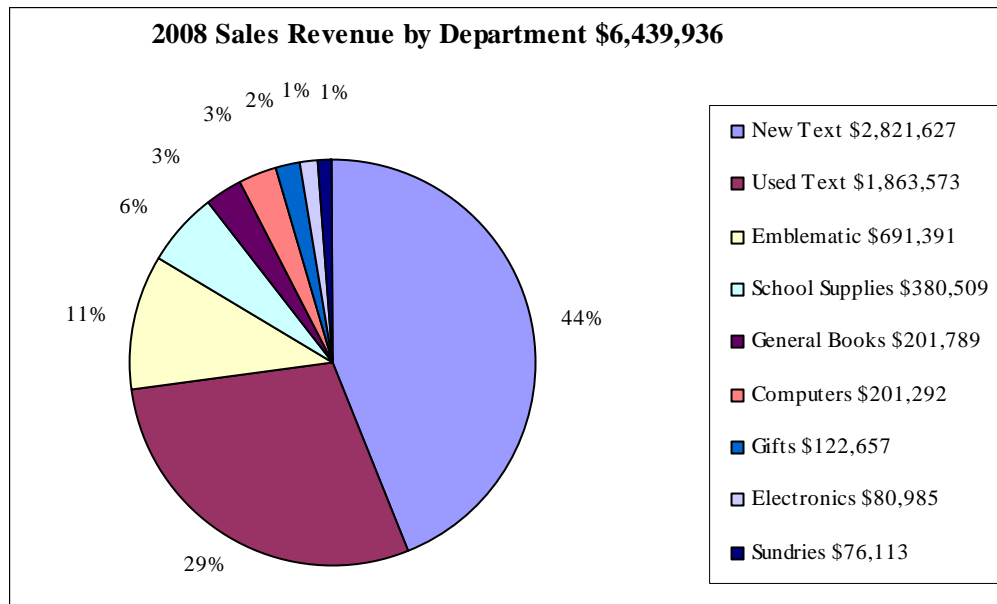
Textbook sales have been shrinking industry-wide over the last several years. The Bookstore will continue to strive to be competitive in the course material category, but will also explore opportunities to strategically grow sales in other areas in order to replace a potential decline in textbook revenue.

New book sales of \$2,575,873 decreased in fiscal 2009 by \$245,754 (-8.7%) but increased \$475,544 (20.3%) from fiscal 2007 to fiscal 2008. The increase in fiscal 2008 can be attributed to a combination of the changes in instructors' choice of class material, the lack of availability of used books and some new custom textbooks that were priced as used textbooks but classified as new. Used book sales of \$2,072,657 in fiscal 2009 increased by \$209,084 (11.2%) from sales of \$1,863,573 in fiscal 2008. This compares to an increase of \$61,124 (3.4%) from fiscal 2008 to fiscal 2007. Because used book sales offset the reduction in new book sales, total textbook sales decreased only \$36,670 (-0.8%) in fiscal 2009 in comparison to an increase of \$536,668 (12.9%) in fiscal 2008.

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The gross margin for textbooks actually increased in fiscal 2009 because used books have a higher profit margin than new books. The profit margin for textbooks in fiscal 2009 was \$979,950, increasing by \$18,228 (1.9%) over 2008 and was \$961,722, increasing \$369,142 (62.3%) over 2007.



Computer sales declined by \$56,908 (-28.3%) in fiscal 2009 as compared to fiscal 2008 while there was an increase of \$4,890 (2.5%) in fiscal 2008 compared to fiscal 2007. This decline in sales in fiscal 2009 was the result of the loss of Apple hardware products sales that the Bookstore discontinued in 2008. Although this was a significant drop in sales, because of the low margins associated with selling Apple the gross margin for the computer area dropped only \$2,088 (-4.7%).

School Supplies was the only other product category besides used books to have an increase in sales, increasing \$4,333 (1.1%) from \$380,509 in fiscal 2008 to \$384,842 in fiscal 2009. The increase in fiscal 2008 compared to fiscal 2007 was \$32,129 (9.2%).

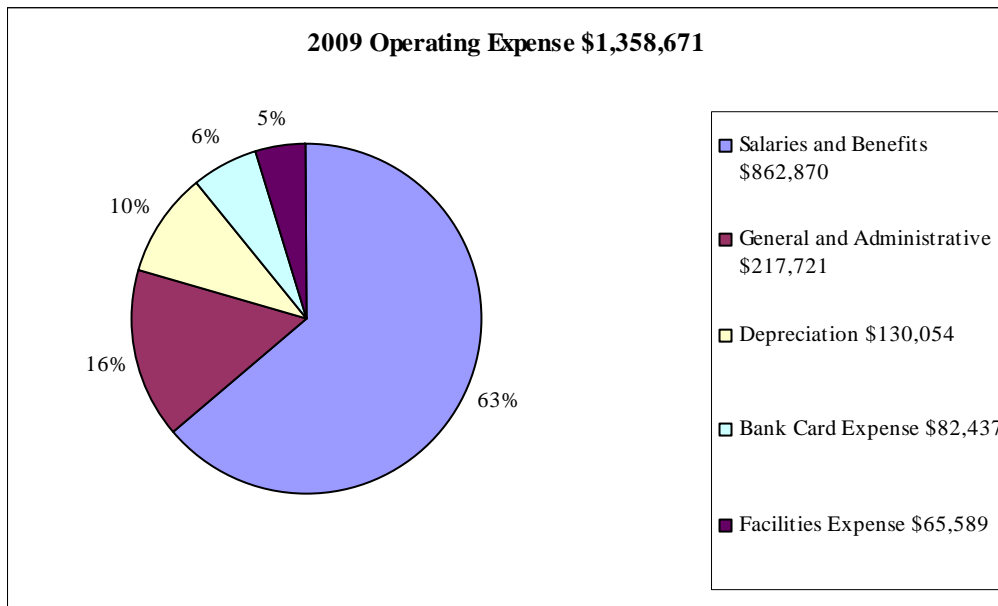
**Expenses by Major Source**

Total operating expense for fiscal 2009 was \$1,358,671 down \$98,143 (-6.7%) from \$1,456,814 in fiscal 2008. The most significant factor was a decrease in salaries and benefits expense of \$119,013 (-12.1%) from fiscal 2008. The change in salaries expense from fiscal 2007 to fiscal 2008 was a decrease of \$54,695 (-5.3%).

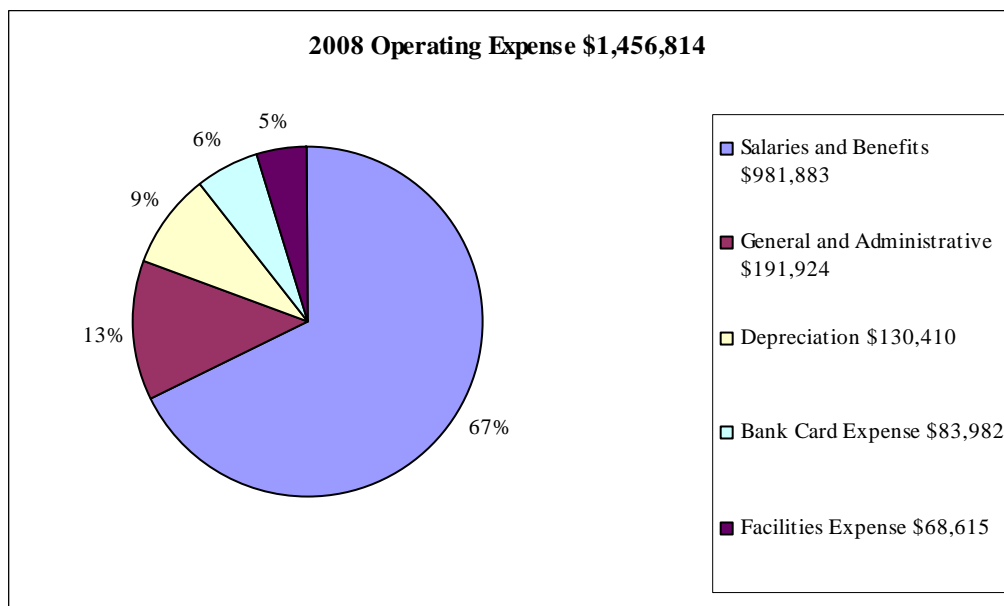
The fiscal 2009 decrease can be primarily attributable to vacant management positions during the year. The General Manager and Associate Manager/Sportswear Buyer position were open all year and the Fiscal Analyst 4 position became vacant during the last quarter of fiscal 2009. Existing staff served in interim leadership roles during this period and the General Manager and Fiscal Analyst 4 positions have been filled.

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

***June 30, 2009 and 2008***



General and Administrative expense increased to \$217,721 in fiscal 2009, a \$25,797 (13.4%) increase from fiscal 2008. The expense decreased in fiscal 2008 by \$45,183 (-19.1%). The increase in fiscal 2009 was the result of the increase in the University's administrative assessment fee for auxiliaries 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 Associated Students in June of 2009.



Total net non-operating expenses increased by \$28,918 in fiscal 2009 from fiscal 2008 and decreased \$125,861 in fiscal 2008 from fiscal 2007. Non-operating expense increased by \$42,195 (26.8%) due to a larger



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

***June 30, 2009 and 2008***

distribution to the Associated Students as part of the net revenue sharing agreement approved during fiscal 2007.

This year the Bookstore contributed \$165,440 to the Associated Students compared with \$123,110 in fiscal 2008 and zero in fiscal 2007. In fiscal 2009, the Associated Students transferred \$30,000 to be used to offset the purchase of additional hardware for the Bookstore's computer system. The amount distributed to the Athletic Department was nearly unchanged at \$34,435 in fiscal 2009 compared to \$34,570 in fiscal 2008 and \$31,993 in fiscal 2007.

Nonoperating investment income was down \$16,723 (-30.5%) in fiscal 2009 compared to fiscal 2008 as a result of lower market rates of return. Fiscal 2008 had an increase of \$15,326 (38.7%).

***Economic Factors and Significant Events***

This was a difficult year for the retail sector given the economic downturn. Many retailers are reporting same store sales decreases of 7.0% or greater. The Bookstore's sales did decline from the prior year but only by 1.8%. In spite of these challenges the Bookstore grew in total net assets. An area that the Bookstore will closely examine for growth opportunities is technological advancements to ensure the products students need for classroom success are available at the Bookstore.

There continues to be concern at all levels of government about the high cost of course materials. This year federal legislation was passed that will require colleges and universities to inform students about the cost of course materials at the time they are registering for classes. Also, changes in the IRS codes may allow for tax credits for the purchase of course materials.

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***ASSOCIATED STUDENTS BOOKSTORE  
INDEPENDENT AUDITORS' REPORT***

***June 30, 2009 and 2008***



## 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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 2 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, 2009 and 2008 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 19 through 23 for the years ended June 30, 2009 and 2008 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, 2009 and 2008.

***ASSOCIATED STUDENTS BOOKSTORE  
INDEPENDENT AUDITORS' REPORT***

***June 30, 2009 and 2008***

We have also previously audited, in accordance with generally accepted auditing standards, the statements of net assets of 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 (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. The supplementary information included on pages 19 through 23 related to the Bookstore's 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.

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 the related statement of revenues, expenses, and changes in net assets, and cash flows for the year then ended (none of which is presented herein), and they expressed unqualified opinions on those financial statements. The supplementary information included on pages 19 through 23 related to the Bookstore's 2005 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**

September 18, 2009

**ASSOCIATED STUDENTS BOOKSTORE  
 STATEMENTS OF NET ASSETS**
*June 30, 2009 and 2008*

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$650,873	\$496,409
Cash and cash equivalents, restricted	15,578	-
Investments (Note 2)	560,229	753,236
Receivables (Note 3)	640,263	425,899
Inventory	966,976	735,323
Total current assets	2,833,919	2,410,867
Noncurrent assets		
Investments (Note 2)	23,951	56,695
Building, improvements and equipment, net (Note 5)	1,515,718	1,645,772
Total noncurrent assets	1,539,669	1,702,467
Total assets	4,373,588	4,113,334
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	248,567	220,947
Distribution payable to Associated Students of WWU	165,440	123,110
Distribution payable to WWU Athletics Department	34,435	34,570
Total current liabilities	448,442	378,627
 <b>Net Assets</b>		
Invested in capital assets	1,515,718	1,645,772
Unrestricted	2,393,850	2,088,935
Restricted	15,578	-
Total net assets	\$3,925,146	\$3,734,707

**ASSOCIATED STUDENTS BOOKSTORE**
**STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS** *June 30, 2009 and 2008*

	<u>2009</u>	<u>2008</u>
<b>Operating Revenues</b>		
Sales, net of discounts	\$6,321,569	\$6,439,936
Cost of goods sold	<u>4,710,880</u>	<u>4,850,535</u>
Gross margin	1,610,689	1,589,401
<b>Other Operating Revenues</b>	70,114	118,298
<b>Operating Expenses</b>		
Salaries and benefits	862,870	981,883
General and administrative expense	217,721	191,924
Facilities expense	65,589	68,615
Depreciation	130,054	130,410
Bank card expense	82,437	83,982
Total operating expenses	<u>1,358,671</u>	<u>1,456,814</u>
Income from operations	322,132	250,885
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	38,182	54,905
Distribution from Associated Students of WWU	30,000	-
Distribution to Associated Students of WWU	(165,440)	(123,110)
Distribution to WWU Athletics Department	<u>(34,435)</u>	<u>(34,570)</u>
Total nonoperating expenses	<u>(131,693)</u>	<u>(102,775)</u>
Increase in net assets	190,439	148,110
<b>Total Net Assets, Beginning of Year</b>	<u>3,734,707</u>	<u>3,586,597</u>
<b>Total Net Assets, End of Year</b>	<u><u>\$3,925,146</u></u>	<u><u>\$3,734,707</u></u>

**ASSOCIATED STUDENTS BOOKSTORE  
 STATEMENTS OF CASH FLOWS**
*June 30, 2009 and 2008*

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from students and other customers	\$6,177,320	\$6,476,380
Payments to employees	(871,332)	(996,334)
Payments to suppliers	(5,272,199)	(5,243,098)
Net cash provided by operating activities	<u>33,789</u>	<u>236,948</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Distribution from Associated Students of WWU	30,000	-
Distribution to WWU Athletics Department	(34,570)	-
Distribution to Associated Students of WWU	(123,110)	(31,993)
Net cash used in noncapital financing activities	<u>(127,680)</u>	<u>(31,993)</u>
<b>Cash Flows from Investing Activities</b>		
Investment income received	38,182	54,905
Net sales (purchases) of investments in internal pool	225,751	(229,239)
Net cash flows provided by (used in) investing activities	<u>263,933</u>	<u>(174,334)</u>
Net change in cash and cash equivalents	170,042	30,621
Cash and cash equivalents, beginning of year	496,409	465,788
Cash and cash equivalents, end of year	<u><u>\$666,451</u></u>	<u><u>\$496,409</u></u>
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Income from operations	\$322,132	\$250,885
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	130,054	130,410
Change in operating assets and liabilities		
Receivables	(214,364)	(81,854)
Accounts payable and accrued expenses	27,620	(56,111)
Inventory	(231,653)	(6,382)
Net cash provided by operating activities	<u><u>\$33,789</u></u>	<u><u>\$236,948</u></u>

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***ASSOCIATED STUDENTS BOOKSTORE  
NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2009 and 2008***

**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 income 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. 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, 2009 and 2008***

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 net assets.* This category represents net assets restricted by an outside entity for a specific use.

*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 of auxiliary enterprises.

*Nonoperating revenues.* Nonoperating 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 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, 2008 financial statements have been reclassified to conform to the June 30, 2009 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.

***ASSOCIATED STUDENTS BOOKSTORE  
 NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2009 and 2008***

	2009	Weighted Average Maturity	2008	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$666,451	n/a	\$496,409	n/a
Investments				
WWU Investment Pool	\$584,180	6.1 months	\$809,931	5.7 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, 2009 and 2008 include:

	2009	2008
Credits due from publishers	\$610,994	\$392,386
Accounts receivable	29,269	33,513
	<u>\$640,263</u>	<u>\$425,899</u>

**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 appropriated for the years ended June 30, 2009 and 2008 was \$165,440 and \$123,110, respectively.

Beginning in fiscal 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, hat and gift item sales after discounts. The appropriation for the years ended June 30, 2009 and 2008, was \$34,435 and \$34,570 respectively, and was paid subsequent to year end.

***ASSOCIATED STUDENTS BOOKSTORE  
 NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2009 and 2008***

**NOTE 5. BUILDINGS, IMPROVEMENTS, AND EQUIPMENT**

The depreciation expense for the fiscal years ended June 30, 2009 and 2008 was \$130,054 and \$130,410, respectively.

Following are the changes in building and equipment for the years ended June 30, 2009 and 2008:

	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	<u>(870,369)</u>	<u>(130,054)</u>	<u>35,603</u>	<u>(964,820)</u>
Building Improvements and Equipment, net	<u>\$1,645,772</u>	<u>(\$130,054)</u>	<u>\$ -</u>	<u>\$1,515,718</u>

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

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.

***ASSOCIATED STUDENTS BOOKSTORE***  
***NOTES TO THE FINANCIAL STATEMENTS***

***June 30, 2009 and 2008***

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 \$43,148 and \$36,930 to these plans in 2009 and 2008, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

**NOTE 7. 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.

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**SUPPLEMENTAL INFORMATION**

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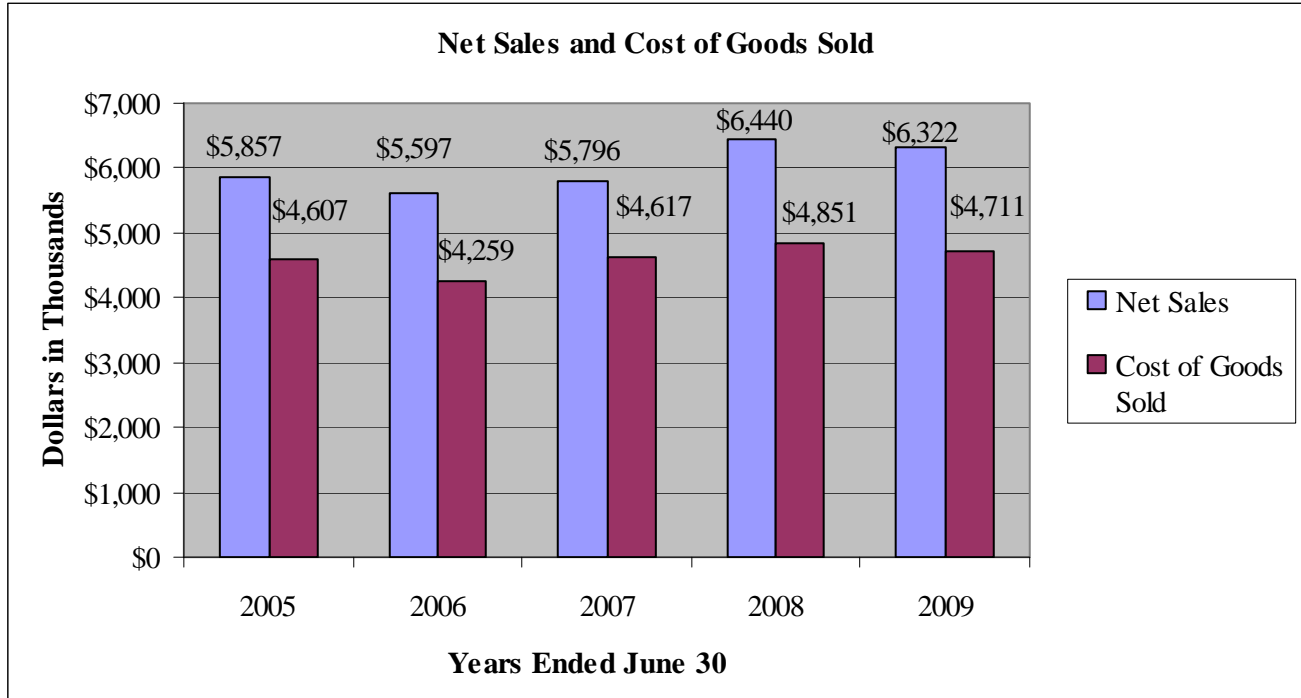
**ASSOCIATED STUDENTS BOOKSTORE  
 SUPPLEMENTAL INFORMATION**
**June 30, 2009 and 2008**
**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET ASSETS  
 Years ended June 30, 2009, 2008, 2007, 2006 and 2005**

Assets	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$2,833,919	\$2,410,867	\$2,016,335	\$2,312,542	\$2,332,134
Non-current assets	23,951	56,695	103,131	102,300	325,096
Capital Assets	<u>1,515,718</u>	<u>1,645,772</u>	<u>1,776,182</u>	<u>1,906,905</u>	<u>1,704,966</u>
Total assets	<u>4,373,588</u>	<u>4,113,334</u>	<u>3,895,648</u>	<u>4,321,747</u>	<u>4,362,196</u>
 Liabilities					
Accounts payable and accruals	248,567	220,947	277,058	338,701	217,668
Due to other WWU departments	<u>199,875</u>	<u>157,680</u>	<u>31,993</u>	<u>179,576</u>	<u>179,983</u>
Total liabilities	<u>448,442</u>	<u>378,627</u>	<u>309,051</u>	<u>518,277</u>	<u>397,651</u>
 Total Net Assets	 <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>	 <u><u>\$3,964,545</u></u>
Current ratio (current assets/current liabilities)	6.32	6.37	6.52	4.46	5.86
Return on assets (change in net assets/total assets)	4.4%	3.6%	-5.6%	-3.7%	1.6%

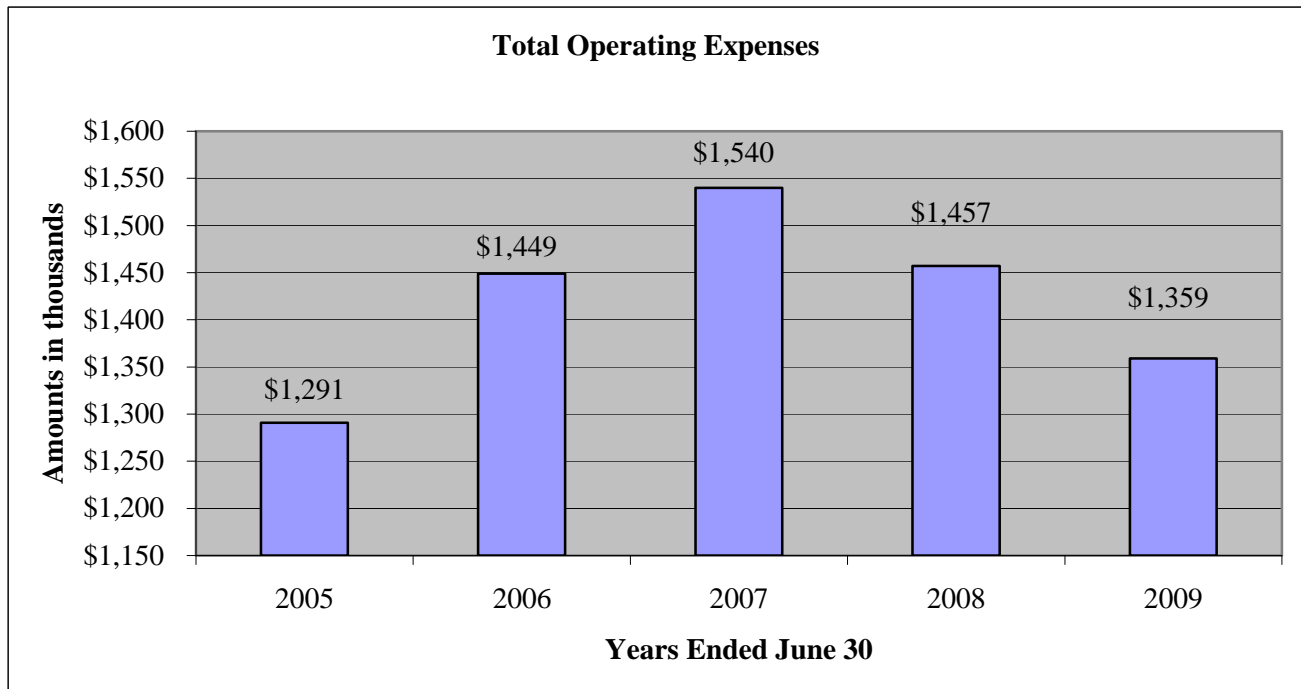
**ASSOCIATED STUDENTS BOOKSTORE  
 SUPPLEMENTAL INFORMATION**
**June 30, 2009 and 2008**
**FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES  
 Years ended June 30, 2009, 2008, 2007, 2006 and 2005**

	2009	2008	2007	2006	2005
Net sales	\$6,321,569	\$6,439,936	\$5,796,136	\$5,596,555	\$5,857,481
Cost of goods sold	4,710,880	4,850,535	4,617,203	4,259,258	4,607,315
Gross profit	1,610,689	1,589,401	1,178,933	1,337,297	1,250,166
Other Operating Revenues	70,114	118,298	121,057	75,323	101,399
Operating expenses					
Salaries and benefits	862,870	981,883	1,036,578	993,815	881,227
General and administrative expense	217,721	191,924	237,107	194,634	198,566
Facilities expense	65,589	68,615	54,757	51,171	53,560
Depreciation	130,054	130,410	130,723	131,930	64,642
Bank card expense	82,437	83,982	80,784	77,463	93,176
Total operating expense	1,358,671	1,456,814	1,539,949	1,449,013	1,291,171
Income (loss) from operations	322,132	250,885	(239,959)	(36,393)	60,394
Nonoperating revenues (expenses)					
Investment income	38,182	54,905	39,579	39,394	28,141
Rental income	-	-	15,500	15,500	15,500
Distribution from Associated Students of WWU	30,000	-	-	-	150,000
Distribution to Associated Students of WWU	(165,440)	(123,110)	-	(150,000)	(155,000)
Distribution to WWU Athletics Department	(34,435)	(34,570)	(31,993)	(29,576)	(29,983)
Total nonoperating revenues (expenses)	(131,693)	(102,775)	23,086	(124,682)	8,658
Increase (decrease) in net assets	\$190,439	\$148,110	(\$216,873)	(\$161,075)	\$69,052
Gross profit percentage (gross profit/net sales)	25.5%	24.7%	20.3%	23.9%	21.3%

**FIVE-YEAR NET SALES AND COST OF GOODS SOLD**



**FIVE-YEAR TOTAL OPERATING EXPENSES**



**ASSOCIATED STUDENTS BOOKSTORE  
 SUPPLEMENTAL INFORMATION**
*June 30, 2009 and 2008*
**FIVE-YEAR INCOME FROM OPERATIONS AND  
 GROSS MARGIN AS PERCENTAGE OF SALES**
