

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

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November 13, 2009

Philip E. Sharpe Jr., Chair  
Board of Trustees  
Western Washington University  
Bellingham, WA 98225

Dear Mr. Sharpe:

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

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

KPMG LLP, Certified Public Accountants, have issued an unqualified (clean) opinion on the Western Washington University financial statements for the year ended June 30, 2009. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. Western Washington University is recognized nationwide as a premier public comprehensive university. Western Washington University is the highest-ranking public, master's-granting university in the Pacific Northwest, according to the 2010 U.S. News & World Report college rankings. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand", factors which will continue to help it weather the current economic challenges.

Sincerely,



Bruce Shepard  
President



Kathy Wetherell  
Interim Vice President for Business and Financial Affairs

***BOARD OF TRUSTEES\****

Philip E. Sharpe, Jr., Chair  
Peggy Zoro, Vice Chair  
Dennis Madsen, Secretary  
Hannah Higgins, Student Trustee  
Betty Fujikado  
Howard Lincoln  
Ralph Munro  
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Catherine Riordan, Provost and Vice President for Academic Affairs  
Kathleen L. Wetherell, Interim Vice President for Business and Financial Affairs  
Eileen V. Coughlin, Vice President for Student Affairs and Academic Support Services  
Steve Swan, Vice President for University Relations  
Stephanie Bowers, Vice President for University Advancement  
Teresa Mroczkiewicz, Interim Director, Financial Services  
Shonda L. Shipman, Director, Accounting Services

\* as of Independent Auditors' report date

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

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

**Reporting Entity**

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

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

**Using the Financial Statements**

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

**Statements of Net Assets**

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

A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2009, 2008 and 2007, follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>			
		<i>(Dollars in thousands)</i>	
Current assets	\$81,559	\$75,239	\$61,857
Noncurrent assets	36,292	26,568	29,808
Capital assets, net	<u>384,343</u>	<u>370,392</u>	<u>330,751</u>
Total assets	<u>502,194</u>	<u>472,199</u>	<u>422,416</u>
<b>Liabilities</b>			
Current liabilities	29,881	33,189	28,911
Noncurrent liabilities	<u>86,016</u>	<u>73,648</u>	<u>75,875</u>
Total liabilities	<u>115,897</u>	<u>106,837</u>	<u>104,786</u>
<b>Total net assets</b>	<u>\$386,297</u>	<u>\$365,362</u>	<u>\$317,630</u>

**Assets**

Current assets consist primarily of cash and cash equivalents, short term investments, funds held with the State Treasurer, and accounts receivable from students. Total current assets increased by \$6.3 million over fiscal 2008 due to larger holdings of cash and cash equivalents resulting from a decrease in accounts receivable and changes in short term investments. The short term portion of the University's investment portfolio can fluctuate based upon changes in the investment mix and the expected short term needs for University funds. Total current assets increased by \$13.4 million comparing fiscal 2008 to fiscal 2007 due to larger current investments in certificates of deposit, additional balances held by the State Treasurer, and an increase in receivables from students.

Noncurrent assets increased \$9.7 million over fiscal 2008 with the increase primarily attributable to the June 2009 issuance of \$14.3 million in Housing and Dining System revenue bonds to renovate the Buchanan Towers residence facility. Balances in both long term investments and amounts due from the State Treasurer decreased as fewer capital projects were in progress at fiscal year end. Noncurrent assets decreased \$3.2 million comparing fiscal 2008 to fiscal 2007 due to the spending of the 2006 Housing and Dining System bond issue proceeds related to the Higginson Hall remodel.

Land and capital assets increased \$14.0 million over fiscal 2008 due to the completion of the Academic Instructional Center (AIC) which opened for classes in January 2009. These asset balances grew \$39.6 million comparing fiscal 2008 to fiscal 2007, due to the significant construction of the AIC building and the completion of the Higginson Hall remodeling project.

**Liabilities**

The excess of current assets over current liabilities of \$51.7 million in 2009 and \$42.1 million in 2008 reflects the continuing ability of the University to meet its short term obligations with liquid or easily liquidated assets. Current liabilities decreased \$3.3 million from fiscal 2008 as outstanding accounts payable invoices declined at fiscal year end. Current liabilities increased \$4.3 million comparing fiscal 2008 to fiscal 2007 as a result of higher construction related liabilities for the AIC building, an increase in the compensated absences balance resulting from less paid leave taken by employees and the recording of executive leave not previously recorded.

Long term liabilities increased \$12.4 million over fiscal 2008 due to the issuance of \$14.3 million in revenue bonds by the Housing and Dining System to remodel the Buchanan Towers residence facility and a \$963 thousand increase in the net pension obligation due to an updated State actuarial valuation. These increases are partially offset by principal payments on outstanding debt. Comparing fiscal 2008 to fiscal 2007, long term liabilities decreased \$2.2 million due to principal payments on outstanding debt of \$2.7 million, partially offset by a net pension obligation increase of \$478 thousand.

**Net Assets**

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

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

**Restricted Net Assets:**

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

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

The University's net assets as of June 30, 2009, 2008 and 2007 are summarized as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<i>(Dollars in thousands)</i>		
Net Assets			
Invested in capital assets, net of related debt	\$312,263	\$295,702	\$256,832
Restricted:			
Nonexpendable	4,160	4,254	4,685
Expendable	24,728	23,794	20,329
Unrestricted	45,146	41,612	35,784
Total net assets	<u>\$386,297</u>	<u>\$365,362</u>	<u>\$317,630</u>

Net investment in capital assets increased \$16.5 million over fiscal 2008 primarily due to the final costs incurred to complete the AIC building and the Ridgeway Gamma residence facility renovation. In fiscal 2008, this net asset classification increased \$38.9 million over fiscal 2007 as a result of the University's investment in its buildings and educational facilities. Major projects during fiscal 2008 were the completion of the Higginson Hall residence facility remodel and the construction of the AIC building.

Restricted nonexpendable net assets include donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. During fiscal 2009, the University received total funding of \$550 thousand dollars; \$275 was provided by donors and \$275 thousand matched by the State. When combined with investment losses, the net decrease in restricted nonexpendable net assets was \$94 thousand. The decrease comparing fiscal 2008 to fiscal 2007 was \$431 thousand, primarily due to investment losses.

Restricted expendable net assets increased \$935 thousand over fiscal 2008, compared to an increase of \$3.5 million for the prior fiscal year as earnings on the State Permanent Fund outpaced expenditures. The State Permanent Fund represents the University's share of net earnings of the Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects. In addition, reserves were set aside for renewals and replacements in the Housing and Dining System and the Wade King Student Recreation Center as required by bond covenants.

Unrestricted net assets increased \$3.6 million in fiscal 2009 and \$5.8 million in fiscal 2008 as a result of strong performance by the University's auxiliary enterprises which added to their reserves, and support for new programs from the State. The increase in both years was driven by tuition increases and higher enrollment figures.

### **Capital Improvements and Related Debt**

In fiscal 2009, \$21.7 million (excluding library materials and equipment) was expended on capital improvements compared to \$48.7 million in fiscal 2008. Of the \$21.7 million in capital improvements, \$5.4 million was expended on the completion of the AIC building, \$5.7 million on projects by the Housing and Dining System and \$4.2 million on the Miller Hall building remodel.

Specific projects completed or underway in fiscal 2009 include:

**Academic Instructional Center.** The AIC, a \$60.7 million building, was completed during the fiscal year, opening for classes in January 2009. The departmental wing houses the Communication Sciences and Disorders Department and the Psychology Department. The academic wing includes lecture halls, classrooms, computer labs and a collaborative learning center.

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

**Chemistry Building Addition.** The addition of 4,300 square feet will provide additional chemistry and biology research and instructional space recognizing the collaborative nature of chemistry and biology research. Construction began in June 2009 with substantial completion scheduled for April 2010.

**Parks Hall Ground Floor Renovation.** This renovation will provide growth space for the College of Business and Economics (CBE) which occupy the top four floors of the building. The remodel will provide a computer lab, three seminar/classrooms, and faculty offices which will allow CBE to consolidate into one location on campus. Construction began in late April 2009 and was completed in September 2009.

In 2009, total long term debt for financing capital assets increased by \$11.6 million to \$87.2 million. The increase includes a \$14.3 million dollar revenue bond issue by the Housing and Dining System in June 2009. The bond issue will fund a remodel of the Buchanan Towers residence facility on campus and the addition of 105 beds. Long term debt decreased in fiscal 2008 a total of \$2.7 million due to payments made on outstanding debt.

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

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

A condensed comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2009, 2008 and 2007 follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	Dollars in thousands		
Operating revenues	\$151,475	\$145,988	\$138,107
Operating expenses	<u>232,561</u>	<u>226,464</u>	<u>215,169</u>
Operating loss	(81,086)	(80,476)	(77,062)
State appropriations revenue	78,535	75,418	64,482
Other nonoperating revenues	12,567	12,787	13,114
Nonoperating expenses	<u>(4,470)</u>	<u>(4,276)</u>	<u>(3,677)</u>
Income (loss) before other revenues	5,546	3,453	(3,143)
Other revenues	<u>15,389</u>	<u>44,279</u>	<u>16,627</u>
Increase in net assets	20,935	47,732	13,484
Net assets, beginning of year	<u>365,362</u>	<u>317,630</u>	<u>304,146</u>
Net assets, end of year	<u>\$386,297</u>	<u>\$365,362</u>	<u>\$317,630</u>

### **Primary Funding Sources**

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support operations. Tuition revenue, net of scholarship allowances, has continued to grow, increasing \$4.6 million and \$3.5 million in fiscal 2009 and fiscal 2008, respectively.

The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at Western: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The University is free to set tuition at any level in the latter three categories; the Legislature retains the authority to cap undergraduate resident tuition increases. Tuition increased 5% during both fiscal 2009 and 2008 with enrollment increasing to an average annual headcount of 13,240 students in fiscal 2009, compared to 13,006 in fiscal 2008 and 12,608 in fiscal 2007.

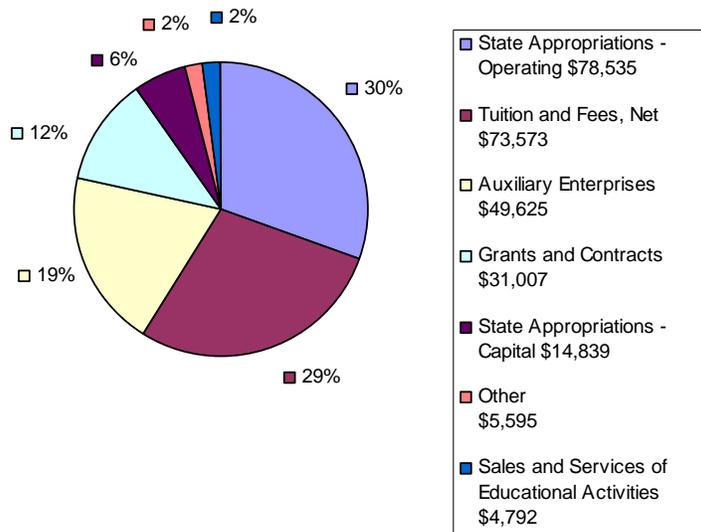
In fiscal 2009, state appropriations used for operations increased \$3.1 million to a total of \$78.5 million compared to \$75.4 million in fiscal 2008. Comparing fiscal 2008 to fiscal 2007, there was an increase of \$10.9 million over the prior year appropriation of \$64.5 million. The appropriation increases include State support for an additional 153 full-time equivalent (FTE) student enrollments in fiscal 2009 and 293 FTE in fiscal 2008. Western's state supported enrollments

(FTE) are 12,175 for fiscal 2009; actual average FTE was 12,408, therefore the additional FTE are not supported by State dollars.

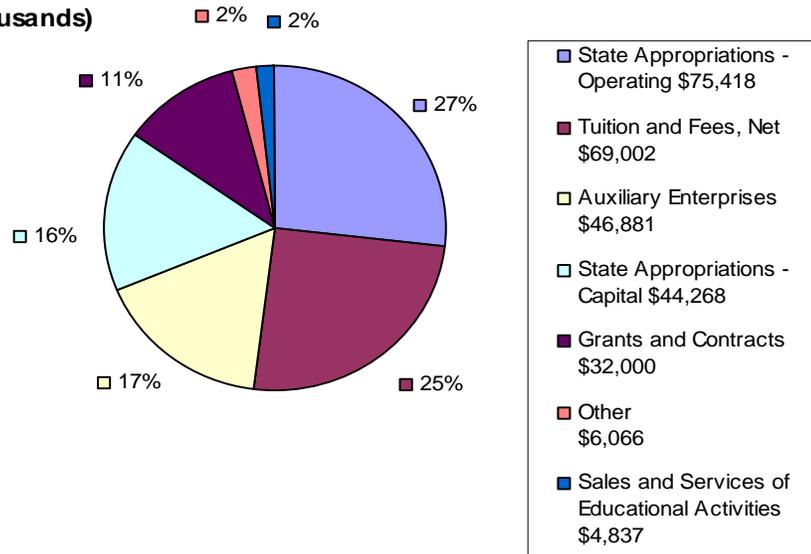
Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and the University is entitled to receive the cash. This revenue source decreased \$29.4 million in fiscal 2009 due to the completion of the AIC building. No significant new projects were started during the fiscal year. In fiscal 2008, capital appropriation revenues increased over \$27.7 million, primarily due to increased expenditures relating to the final construction phase of the AIC building.

The following graphs illustrate revenues by source for the years ended June 30, 2009 and 2008:

**Total Revenues by Source For the  
 Year Ended June 30, 2009  
 \$257,966 (in thousands)**



**Total Revenues by Source For the  
Year Ended June 30, 2008  
\$278,472 (in thousands)**



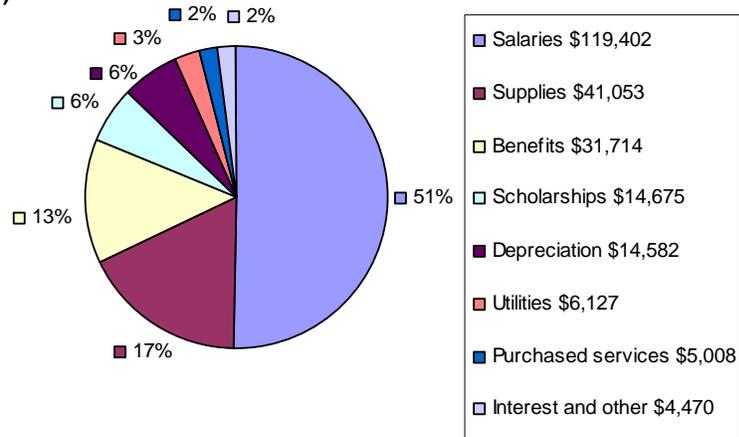
The University's operating expenses increased \$6.1 million in fiscal 2009 and \$11.3 million comparing fiscal 2008 to fiscal 2007. The majority of the increase in both fiscal years is related to salaries and wages which increased approximately 4.3% in fiscal 2009 and 8.1% comparing fiscal 2008 to fiscal 2007. Classified, professional staff and faculty received salary adjustments of 2.0% and 3.2% in fiscal years 2009 and 2008, along with a one-time bonus of 4% for professional staff and faculty in fiscal 2008.

The University's Board of Trustees approved a 10.5% salary increase for all qualified faculty during the 2009 fiscal year. Legislatively authorized funds covered 5.2% of this increase and local funds covered the remaining 5.3%. Benefits expense decreased during fiscal 2009, due to Public Employees Benefit Board (PEBB) offering a one year temporary reduction in medical premiums paid by the employer.

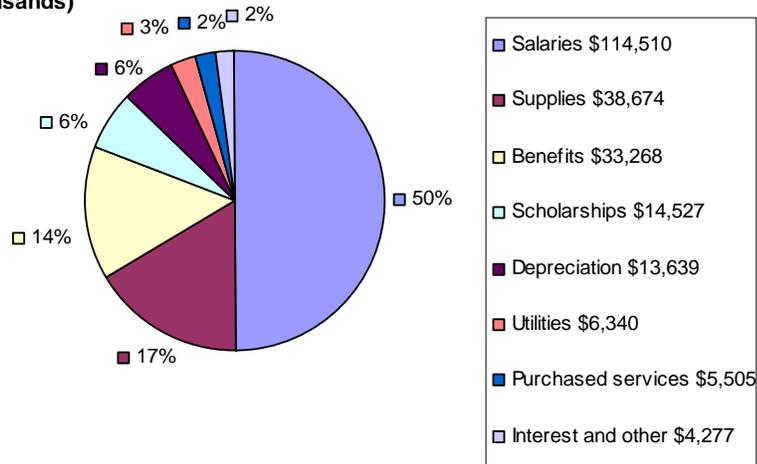
Supplies, materials, personal and purchased services increased \$1.9 million in fiscal 2009 and decreased approximately \$1.0 million between fiscal 2008 and 2007. The increase in fiscal 2009 was due to the purchase of non-capitalized furnishings and equipment necessary for the AIC building as well as additional repairs and maintenance projects on campus during fiscal 2009. Depreciation expense increased \$943 thousand over fiscal 2008 and \$251 thousand comparing fiscal 2008 to fiscal 2007 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2009 and 2008:

**Total Expenses by Natural Classification  
for the Year Ended June 30, 2009  
\$237,031 (in thousands)**



**Total Expenses by Natural Classification  
for the Year Ended June 30, 2008  
\$230,740 (in thousands)**



### Operating Loss

The University's operating loss of \$81.1 million in fiscal 2009 was an increase of \$610 thousand over fiscal 2008, and a \$3.4 million increase comparing fiscal 2008 to fiscal 2007. Overall operating revenues increased \$5.5 million during fiscal 2009 and \$7.9 million between fiscal 2008 and 2007 while operating expenditures increased \$6.1 million and \$11.3 million, respectively.

GASB standards require that State appropriations and Federal Pell grants are classified as nonoperating revenues, thereby creating the operating loss. If these revenues were classified as operating, operating income would be \$5.1 million in fiscal 2009 and \$1.8 million in fiscal 2008.

**Economic Factors That Will Affect the Future**

During the next biennium, State support for Western's operations, which in past decades has been as high as 70% per year, will fall below 50%, down to a biennial average of 45.5%. Western's 2009-2011 biennial operating budget includes a 29% reduction in State appropriations (\$44 million), forcing the University to eliminate open and filled positions, reduce department budgets, increase class size, and reduce the number of class sections. No degree programs were eliminated, and 2008-2009 enrollment levels will be maintained.

In response to the operating budget shortfall, the University increased annual tuition 14%, received \$8.9 million in one-time Federal stimulus funds, and increased reliance on University reserve funds. Protecting core academic commitments was established early in the budget process as the foremost guiding principle. Reductions in academic programs are, on average, less than cuts in other areas: approximately 5% for academic programs compared with 7-10% in non-academic areas.

The 2009–2011 operating budget includes tuition increases of 14% per year for the biennium, an increase of \$600 per year for resident undergraduate students. The University did not increase non-resident or graduate tuition rates. Increases in State and Federal financial aid and the expansion of Federal education tax credits are available to students and can be used to offset the tuition increase. Budget cuts resulted in the elimination of 164 positions at the University. The majority of these cuts were from vacant positions. However, an estimated 28 employees were laid off and the contracts for approximately 40 employees were not renewed. Approximately 83% of the operating budget is committed to compensation related expenditures.

The Board of Trustees approved the \$79.4 million capital budget for the 2009-11 biennium, which includes the major renovation of Miller Hall. This \$60.4 million project includes funds for pre-design, design, construction and equipment. Construction began in August 2009. The capital budget also includes: \$16.5 million for minor works preservation and program projects, \$4.6 million for network infrastructure and switches, and \$3.6 million for preventative maintenance and repairs.



KPMG LLP  
Suite 900  
801 Second Avenue  
Seattle, WA 98104

The Board of Trustees  
Western Washington University

We have audited the accompanying financial statements of Western Washington University and its discretely presented component unit as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Western Washington University Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the above component unit, are based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements of Western Washington University are intended to present the financial position, and the changes in financial position, and, where appropriate, cash flows of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Washington that is attributable to the transactions of Western Washington University. They do not purport to, and do not, present fairly the financial position of the State of Washington as of June 30, 2009 and 2008, the changes in its financial position, or, where appropriate, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material aspects, the financial position of Western Washington University and of its discretely presented component unit as of June 30, 2009 and 2008, and the changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

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

**KPMG LLP**

November 18, 2009

<b>Assets</b>	2009	2008
Current assets:		
Cash and cash equivalents (Note 3)	\$37,055,201	\$24,960,841
Investments (Note 4)	31,786,555	36,121,641
Funds with State Treasurer (Note 5)	6,343,536	6,910,084
Interest receivable	1,272,563	1,953,877
Accounts receivable, net (Note 6)	3,297,361	3,912,294
Prepaid expenses	307,901	111,344
Inventories (Note 8)	1,495,819	1,268,712
Total current assets	81,558,936	75,238,793
Noncurrent assets:		
Restricted investments (Note 4)	22,274,833	7,985,057
Investments (Note 4)	2,590,574	4,750,684
Due from State Treasurer	2,760,797	4,931,661
Student loans receivable, net (Note 7)	7,620,890	7,955,550
Land (Note 10)	12,772,593	12,772,593
Capital assets, net (Note 10)	371,570,424	357,619,109
Other assets (Note 1)	1,045,416	945,169
Total noncurrent assets	420,635,527	396,959,823
Total assets	502,194,463	472,198,616
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	11,540,473	14,961,778
Deposits payable	2,346,015	2,295,927
Deferred revenues	4,704,688	5,040,459
Compensated absences (Note 11)	7,891,789	7,625,941
Current portion of bonds and notes payable (Notes 12,15)	3,069,333	2,957,471
Current portion of net pension obligations (Note 15)	195,000	97,500
Deposits held in custody for others	133,395	209,537
Total current liabilities	29,880,693	33,188,613
Noncurrent liabilities:		
Long term portion of bonds and notes payable (Note 15)	84,179,833	72,677,327
Long term net pension obligations (Note 15)	1,836,738	971,010
Total Liabilities	115,897,264	106,836,950
<b>Net Assets</b>		
Invested in capital assets, net of related debt	312,262,833	295,702,072
Restricted for:		
Nonexpendable: scholarships and professorships	4,159,879	4,254,339
Expendable:		
Instruction and research	3,275,404	2,355,544
Loans	11,409,378	11,282,300
Capital Projects	10,043,555	10,155,283
Unrestricted	45,146,150	41,612,128
Total net assets	\$386,297,199	\$365,361,666

**STATEMENTS OF FINANCIAL POSITION**
**For the years ended June 30, 2009 and 2008**

<b>Assets</b>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$1,122,334	\$2,872,323
Investments:		
Short term investment pool	6,095,450	5,090,217
Long term investment pool		
Externally managed investments	23,271,538	26,532,876
Externally managed investments, held for Northwest Indian College Foundation	921,126	1,088,267
Real estate held for investment, net	2,286,900	1,561,949
Annuity and life income investments	3,840,843	4,836,850
Other	312,757	312,757
Total investments	<u>36,728,614</u>	<u>39,422,916</u>
Receivables:		
Promises to give, net	2,896,255	3,020,736
Due from Western Washington University	-	112,054
Other	8,682	49,488
Total receivables	<u>2,904,937</u>	<u>3,182,278</u>
Other assets	21,968	13,888
Capital assets, net	-	1,120,541
Total assets	<u>40,777,853</u>	<u>46,611,946</u>
 <b>Liabilities</b>		
Accounts payable	83,050	199,560
Due to Western Washington University	263,453	-
Annuity and life income obligations	1,344,420	1,738,525
Contingent obligation to Northwest Indian College Foundation	921,126	1,088,267
Total liabilities	<u>2,612,049</u>	<u>3,026,352</u>
 <b>Net Assets</b>		
Unrestricted	7,524,501	11,356,223
Temporarily restricted	11,161,966	15,242,098
Permanently restricted	19,479,337	16,987,273
Total net assets	<u>38,165,804</u>	<u>43,585,594</u>
 Total Liabilities and Net Assets	<u>\$40,777,853</u>	<u>\$46,611,946</u>

**STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS** For the years ended June 30, 2009 and 2008

	2009	2008
<b>Operating Revenues</b>		
Student tuition and fees	\$86,555,613	\$81,217,433
Less scholarship allowances	(12,982,879)	(12,215,513)
Net student tuition and fees	73,572,734	69,001,920
Federal grants and contracts	8,338,523	11,272,466
State and local grants and contracts	13,257,130	12,595,085
Nongovernmental grants and contracts	1,752,564	1,264,074
Sales and services of educational activities	4,792,341	4,836,640
Interest earned on loans to students	136,800	136,871
Auxiliary enterprises	53,481,768	50,334,001
Less scholarship allowances	(3,856,618)	(3,452,539)
Net auxiliary enterprises	49,625,150	46,881,462
Total operating revenues	151,475,242	145,988,518
<b>Operating Expenses</b>		
Salaries and wages	119,402,233	114,509,642
Benefits	31,713,625	33,268,166
Scholarships and fellowships	14,675,348	14,527,102
Utilities	6,126,735	6,340,414
Supplies and materials	41,053,047	38,674,456
Purchased and personal services	5,008,483	5,505,286
Depreciation	14,581,784	13,639,067
Total operating expenses	232,561,255	226,464,133
Operating loss	(81,086,013)	(80,475,615)
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	78,535,426	75,417,882
Federal Pell grant revenue	7,658,503	6,868,173
Investment income	4,706,526	5,892,772
Interest on indebtedness	(3,491,660)	(3,607,772)
Loss on endowments	(978,004)	(668,488)
Nonoperating rental property income	201,443	26,143
Net nonoperating revenues	86,632,234	83,928,710
Gain before other revenues, expenses, gains or losses	5,546,221	3,453,095
<b>Other Revenues</b>		
Capital appropriations	14,839,312	44,268,118
Gifts to permanent endowments	550,000	10,000
Total other revenues	15,389,312	44,278,118
Increase in net assets	20,935,533	47,731,213
Net assets, beginning of year	365,361,666	317,630,453
Net assets, end of year	\$386,297,199	\$365,361,666

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009</u>
<b>Support and Revenue</b>				
Contributions, net of allowance for uncollectible promises to give	\$645,740	\$2,638,127	\$1,368,833	\$4,652,700
Services and facilities provided by Western Washington University	2,908,714	-	-	2,908,714
Net unrealized gains (losses) on investments	(3,021,043)	(3,332,442)	-	(6,353,485)
Net realized gains (losses) on investments	459	(54,123)	-	(53,664)
Interest and dividends	363,505	584,939	-	948,444
Gain (loss) on sales of assets	(180,567)	-	-	(180,567)
Fund raising events and other	33,241	423,820	434	457,495
Total support and revenue before net assets released from restrictions	750,049	260,321	1,369,267	2,379,637
Net assets released from restrictions	4,200,427	(4,200,427)	-	-
Change in restrictions	(883,385)	(239,412)	1,122,797	-
Total support and revenue	<u>4,067,091</u>	<u>(4,179,518)</u>	<u>2,492,064</u>	<u>2,379,637</u>
<b>Expenses and Change in Valuation of Annuity Obligations</b>				
Program services and grants	4,420,726	-	-	4,420,726
Management and general - WWU in-kind	1,451,104	-	-	1,451,104
Management and general - other	235,249	-	-	235,249
Fund raising - WWU in-kind	1,457,610	-	-	1,457,610
Fund raising	334,124	-	-	334,124
Total expenses	7,898,813	-	-	7,898,813
Change in valuation of annuity obligations	-	(99,386)	-	(99,386)
Total expenses and change in valuation of annuity obligations	<u>7,898,813</u>	<u>(99,386)</u>	<u>-</u>	<u>7,799,427</u>
<b>Change in Net Assets</b>	<u>(3,831,722)</u>	<u>(4,080,132)</u>	<u>2,492,064</u>	<u>(5,419,790)</u>
<b>Net Assets, beginning of year</b>	11,356,223	15,242,098	16,987,273	43,585,594
<b>Net Assets, end of year</b>	<u>\$7,524,501</u>	<u>\$11,161,966</u>	<u>\$19,479,337</u>	<u>\$38,165,804</u>

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
**For the year ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008</u>
<b>Support and Revenue</b>				
Contributions, net of allowance for uncollectible promises to give	\$1,474,387	\$3,602,228	\$872,567	\$5,949,182
Services and facilities provided by Western Washington University	2,251,623	-	-	2,251,623
Net unrealized gains (losses) on investments	(601,974)	(1,867,616)	-	(2,469,590)
Net realized gains (losses) on investments	(15,671)	158,933	-	143,262
Interest and dividends	381,027	648,785	-	1,029,812
Amortization	-	67,429	-	67,429
Fund raising events and other	81,674	547,427	1,367	630,468
Total support and revenue before net assets released from restrictions	3,571,066	3,157,186	873,934	7,602,186
Net assets released from restrictions	4,128,788	(4,128,788)	-	-
Change in restrictions	67,376	(29,163)	(38,213)	-
Total support and revenue	<u>7,767,230</u>	<u>(1,000,765)</u>	<u>835,721</u>	<u>7,602,186</u>
<b>Expenses and Change in Valuation of Annuity Obligations</b>				
Program services and grants	4,260,458	-	-	4,260,458
Management and general - WWU in-kind	1,246,412	-	-	1,246,412
Management and general - other	328,892	-	-	328,892
Fund raising - WWU in-kind	1,005,211	-	-	1,005,211
Fund raising	409,178	-	-	409,178
Total expenses	7,250,151	-	-	7,250,151
Change in valuation of annuity obligations	(62,178)	254,468	-	192,290
Total expenses and change in valuation of annuity obligations	<u>7,187,973</u>	<u>254,468</u>	<u>-</u>	<u>7,442,441</u>
<b>Change in Net Assets</b>	579,257	(1,255,233)	835,721	159,745
<b>Net Assets</b> , beginning of year	<u>10,776,966</u>	<u>16,497,331</u>	<u>16,151,552</u>	<u>43,425,849</u>
<b>Net Assets</b> , end of year	<u>\$11,356,223</u>	<u>\$15,242,098</u>	<u>\$16,987,273</u>	<u>\$43,585,594</u>

**STATEMENTS OF CASH FLOWS**
**For the years ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$73,479,384	\$69,464,855
Grants and contracts	23,782,327	24,783,903
Payments to vendors	(67,129,378)	(68,192,133)
Payments to employees for salaries and benefits	(149,723,207)	(145,813,240)
Loans issued to students	(790,086)	(1,259,067)
Collection of loans to students	1,197,888	1,304,600
Sales of auxiliary enterprises	49,667,455	46,906,431
Sales and services of educational activities	4,726,093	4,496,692
Interest received on loans to students	136,800	136,871
Net cash used by operating activities	<u>(64,652,724)</u>	<u>(68,171,088)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	78,535,426	75,417,882
Direct Lending proceeds	52,587,345	45,784,559
Direct Lending disbursements	(52,732,163)	(45,809,595)
Federal Pell grant receipts	7,658,503	6,868,173
Gifts to permanent endowments	550,000	10,000
Net cash provided by noncapital financing activities	<u>86,599,111</u>	<u>82,271,019</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(54,169,573)	(44,144,560)
Net proceeds from sales of investment	45,396,988	38,986,397
Interest received on investments	5,387,840	5,716,693
Net cash (used) provided by investing activities	<u>(3,384,745)</u>	<u>558,530</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	14,368,652	362,512
Interest earned on bond proceeds	-	50,346
Capital appropriations	17,010,176	42,211,118
Disposal of fixed assets	49,529	(8,882)
Gain on disposal of fixed assets	7,967	24,188
Purchases of capital assets	(31,533,887)	(50,789,568)
Principal paid on capital debt	(2,957,603)	(3,209,581)
Interest paid on capital debt	(3,613,559)	(3,540,362)
Other activities	201,443	26,143
Net cash used by capital and related financing activities	<u>(6,467,282)</u>	<u>(14,874,086)</u>
Net increase (decrease) in cash and cash equivalents	12,094,360	(215,625)
Cash and cash equivalents, beginning of year	<u>24,960,841</u>	<u>25,175,465</u>
Cash and cash equivalents, end of year	<u><u>\$37,055,201</u></u>	<u><u>\$24,960,841</u></u>

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

	<u>2009</u>	<u>2008</u>
Operating loss	(\$81,086,013)	(\$80,475,615)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	14,581,784	13,639,067
Amortization of bond issuance cost	203,319	217,354
Gain on disposal of fixed assets	(7,967)	(15,307)
Net pension obligation expense	963,228	465,457
Changes in assets and liabilities:		
Funds with the State Treasurer	566,548	(2,930,619)
Accounts receivable	614,933	(902,498)
Student loans receivable	334,660	34,432
Inventories	(227,107)	47,386
Prepaid expenses	(196,557)	(21,212)
Accounts payable and accrued expenses	(448,393)	120,222
Deferred revenue	(335,771)	787,287
Student and other deposits	50,088	113,736
Deposits held in custody	68,676	(171,882)
Compensated absences	265,848	921,104
Net cash used by operating activities	<u>(\$64,652,724)</u>	<u>(\$68,171,088)</u>
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	<u>\$2,974,378</u>	<u>\$5,925,637</u>

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

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

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

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

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*.

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

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

Financial Statement Presentation

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

Basis of Accounting

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

New Accounting Pronouncements

On July 1, 2007, the University adopted GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". This pronouncement includes provisions for the disclosure of pledged revenues. See Note 14.

On July 1, 2007, the University adopted GASB Statement No. 50, "Pension Disclosure – an amendment of GASB Statements No. 25 and No. 27". This pronouncement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits. See Note 19.

On July 1, 2007, the University adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". This pronouncement establishes a standard to measure the liability for retiree health care and life insurance costs, which the University subsidizes. See Note 20.

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

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

### **Other Accounting Policies**

#### Cash, Cash Equivalents and Investments

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

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

#### Accounts Receivable

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

#### Inventories

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

#### Capital Assets

Land, buildings and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of the gift. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of

greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest expense incurred during capital construction is capitalized as part of the building cost. During fiscal years 2009 and 2008, no construction related interest was capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

#### Bond Premiums/Discounts and Issuance Costs

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

#### Deferred Revenues

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

#### Net Assets

The University's net assets are classified as follows:

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

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

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

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

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

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be

maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

#### *Unrestricted net assets*

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

#### Classification of Revenues and Expenses

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

#### *Operating revenues*

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

#### *Operating expenses*

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

#### *Nonoperating revenues*

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, State appropriations and investment income.

#### *Nonoperating expenses*

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

#### Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods

and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in the University's financial Statements.

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

#### Tax Exemption

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

#### Reclassifications

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

## **2. COMPONENT UNIT**

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

#### *Unrestricted net assets*

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

#### *Temporarily restricted net assets*

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

#### *Permanently restricted net assets*

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

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investor Pool (LGIP). At June 30, 2009 and 2008, the carrying amount of cash equivalents is \$37,055,201 and \$24,960,841 respectively. The carrying amount of cash equivalents approximates the market value.

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

**4. INVESTMENTS**

To maximize investment income, the University combines unrestricted cash funds from all areas into an internal investment pool. Investment income is allocated to University departments in proportion to the respective average balances in the investment pool.

The certificates of deposit held in the internal investment pool are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The University held \$33,158,585 and \$39,061,021 of certificates of deposits in pooled investments at June 30, 2009 and 2008, respectively.

Renewal and replacement funds are separately invested in time certificates of deposit. As of June 30, 2009 and 2008, the Renewal and Replacement funds of \$2,780,142 and \$2,725,104 were separately invested in time certificates of deposit.

Remaining bond proceeds of \$14,200,292 from the June 2009 Housing and Dining System bond issue are separately invested in the Local Government Investment Pool (LGIP).

University endowment funds are invested under the direction of the Endowment Investment Committee. The committee is responsible for reviewing and recommending policy to define investment objectives

and allowable investments, monitoring investment performances and social concerns and recommending investments, investment managers, and/or mutual funds.

Endowment funds are comprised of \$4,159,879 in donor restricted and \$2,352,054 in quasi endowments at June 30, 2009 and \$4,254,339 in donor restricted and \$2,816,908 in quasi endowments at June 30, 2008.

**Interest Rate Risk**

Interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal policy for managing interest rate risk on the internal investment pool, but manages exposure to fair value losses in the pool by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year in accordance with cash operating needs.

Endowment funds are invested under Endowment Investment Policy guidelines. These guidelines include the primary objective of achieving long term growth using prudent investing practices.

**Concentration of Credit Risk**

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

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

At June 30, 2009, the University held the following investments:

Description	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-2	2-3	3-4	>4 years
<b>WWU Investment Pool:</b>						
Cash and Cash Equivalents	\$37,055,201	37,055,201				
Time Certificates of Deposits (CDs)	33,158,585	31,786,555	1,372,030			
<b>WWU Endowment Funds:</b>						
Mutual Funds - Money Market	906,673	906,673				
U.S. Government/Agency Securities	1,752,159		176,075	176,501	270,572	1,129,011
Equity Securities	3,853,101	n/a	n/a	n/a	n/a	n/a
<b>Other Investments:</b>						
Renewal and Replacement Time CDs	2,780,142	1,457,332	1,322,810			
Bond Proceeds Invested in LGIP	14,200,292	14,200,292				
Miscellaneous	1,010					1,010
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$93,707,163</b>					

At June 30, 2008, the University held the following investments:

Description	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-2	2-3	3-4	>4 years
<b>WWU Investment Pool:</b>						
Cash and Cash Equivalents	\$24,960,841	24,960,841				
Time Certificates of Deposits (CDs)	39,061,021	36,121,641	2,939,380			
<b>WWU Endowment Funds:</b>						
Mutual Funds - Money Market	1,173,769	1,173,769				
U.S. Government/Agency Securities	1,938,329		509,321	794,532		634,476
Equity Securities	3,959,149	n/a	n/a	n/a	n/a	n/a
<b>Other Investments:</b>						
Renewal and Replacement Time CDs	2,725,104	2,725,104				
Miscellaneous	10					10
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$73,818,223</b>					

## 5. FUNDS WITH STATE TREASURER

This account represents the University's share of net earnings of the State of Washington Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects and debt service incurred over the years. The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

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

The University's earnings and distributions on the fund for the year ended June 30, 2009 and 2008 are

\$2,757,000, and \$2,706,790, respectively which are reported as interest income.

## 6. ACCOUNTS RECEIVABLE

At June 30, 2009 and 2008, the major components of accounts receivable are as follows:

	2009	2008
Student tuition and fees	\$1,034,830	\$1,347,213
Federal, State and private grants and contracts	371,873	508,286
Auxiliary enterprises and other operating activities	2,343,175	2,592,518
Total accounts receivable	<u>3,749,878</u>	<u>4,448,017</u>
Less allowance for doubtful accounts	<u>(452,517)</u>	<u>(535,723)</u>
Accounts receivable, net	<u><u>\$3,297,361</u></u>	<u><u>\$3,912,294</u></u>

## 7. STUDENT LOANS RECEIVABLE

At June 30, 2009 and 2008, student loans receivable are as follows:

	2009	2008
Federal Perkins student loans	\$8,456,365	\$8,753,857
Other long term loans	48,155	65,866
Institutional loans	48,946	55,236
Total student loans	<u>8,553,466</u>	<u>8,874,959</u>
Less allowance for doubtful accounts	<u>(932,576)</u>	<u>(919,409)</u>
Student loans receivable, net	<u><u>\$7,620,890</u></u>	<u><u>\$7,955,550</u></u>

## 8. INVENTORIES

At June 30, 2009 and 2008, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

Location	Valuation Method	2009	2008
Bookstore	Retail	\$966,976	\$735,323
Central Stores	Average Cost	123,361	144,611
Facilities Maintenance	FIFO	144,157	156,777
Lock Shop	FIFO	120,838	109,309
Other inventory	FIFO	140,487	122,692
Total inventory		<u><u>\$1,495,819</u></u>	<u><u>\$1,268,712</u></u>

**9. ART COLLECTIONS**

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

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

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

The depreciation expense for the fiscal years ended June 30, 2009 and 2008 was \$14,581,784 and \$13,639,067 respectively. Following are the changes in land and capital assets for the year ended June 30, 2009:

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

Following are the changes in land and capital assets for the year ended June 30, 2008:

	6/30/2007	Additions/ Transfers	Retirements	6/30/2008
Land	\$12,150,822	\$621,771	\$ -	\$12,772,593
<b>Capital Assets</b>				
Infrastructure	\$53,247,646	-	-	\$53,247,646
Buildings	306,489,208	9,324,669	-	315,813,877
Furniture, fixtures and equipment	32,487,404	2,037,098	664,802	33,859,700
Library materials, art collection	44,645,210	2,016,974	-	46,662,184
Improvements	37,361,057	4,936,558	-	42,297,615
Construction in progress	26,880,451	34,451,319	99,897	61,231,873
Total capital assets	501,110,976	52,766,618	764,699	553,112,895
<b>Less Accumulated Depreciation</b>				
Infrastructure	17,928,912	1,394,467	-	19,323,379
Buildings	97,098,725	6,750,115	-	103,848,840
Furniture, fixtures and equipment	27,983,968	1,836,383	655,922	29,164,429
Library materials, art collection	31,246,766	1,706,545	-	32,953,311
Improvements	8,252,270	1,951,557	-	10,203,827
Total accumulated depreciation	182,510,641	13,639,067	655,922	195,493,786
<b>Capital Assets, Net</b>	\$318,600,335	\$39,127,551	\$108,777	\$357,619,109

## 11. COMPENSATED ABSENCES

The accrued leave balance as of June 30, 2009 and 2008 is \$7,891,789 and \$7,625,941, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, the University began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post retirement medical expense reimbursement account available to professional staff employees of Western. The VEBA-MEP enables the University to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf. Funds deposited into a VEBA-MEP account, as well as the earnings on the account, are not subject to federal income or social security taxes.

During 2009 and 2008, \$49,782 and \$57,361 respectively, was contributed to VEBA accounts by the University on behalf of employees.

**12. NOTES PAYABLE**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$264,333	\$122,088
2011	248,701	111,849
2012	206,104	101,649
2013	145,428	98,717
2014	154,071	88,673
2015-2019	710,322	354,815
2020-2024	765,000	206,468
2025-2029	545,000	37,353
<b>Total</b>	<u><u>\$3,038,959</u></u>	<u><u>\$1,121,612</u></u>

**13. BONDS PAYABLE**

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

Housing and Dining Revenue Bonds

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

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

Series 2009 A and B Revenue Bonds with interest rates ranging from 3.0% to 7.4% and an aggregate face value of \$14,280,000 at June 30, 2009, which is reported net of the original issue premium of \$27,311.

Series 2006 Revenue Bonds with an interest rate of 4% and an aggregate face value of \$8,645,000 at June 30, 2009, which is reported net of the original premium of \$44,901.

Series 2005 Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50% and an aggregate face value of \$12,160,000 at June 30, 2009, which is reported net of the unamortized original discount of \$150,286 and loss on defeasance of \$924,491.

Series 2003 Revenue and Refunding Bonds with interest rates ranging from 3% to 4.65% and an aggregate face value of \$12,155,000 at June 30, 2009, which is reported net of the unamortized original issue discount of \$75,051 and loss on defeasance of \$91,509.

Series 1999 Junior Lien Revenue Bonds with interest rates ranging from 5.1% to 6.0% and an aggregate face value of \$420,000 at June 30, 2009, which is reported net of the unamortized original issue discount of \$3,040.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of \$12,995,000 at June 30, 2009, which is reported net of the unamortized original issue premium of \$217,617 and loss on defeasance of \$579,721.

**Wade King Student Recreation Center Revenue and Refunding Bonds**

The Recreation Center issued the Revenue Bonds Series, 2002, in February 2002. The bonds bear interest at rates of 4% to 5% and have an aggregate face value of \$25,435,000 at June 30, 2009, which is reported net of the unamortized original issue discount and loss on defeasance of \$345,524.

**Advance Refunding**

The scheduled liabilities as of June 30, 2009 and 2008 do not include \$11,165,000 and \$11,405,000, respectively of Housing and Dining System revenue

bonds which were advance refunded in October 1991 and May 2005.

In May 2004, the Wade King Student Recreation Center defeased \$945,000 of revenue bonds. The outstanding balances are \$810,000 and \$830,000 at June 30, 2009 and 2008, respectively.

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

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

Fiscal Year	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$2,220,000	\$2,743,929	\$585,000	\$1,250,750
2011	2,580,000	2,885,173	615,000	1,225,888
2012	2,680,000	2,783,678	640,000	1,199,750
2013	2,785,000	2,676,711	670,000	1,172,230
2014	2,895,000	2,563,847	700,000	1,142,750
2015-2019	16,490,000	10,774,768	4,025,000	5,173,750
2020-2024	18,580,000	6,500,857	5,130,000	4,062,000
2025-2029	7,350,000	3,013,280	6,550,000	2,644,250
2030-2034	5,075,000	1,162,540	6,520,000	834,500
<b>Total</b>	<b>\$60,655,000</b>	<b>\$35,104,783</b>	<b>25,435,000</b>	<b>\$18,705,868</b>
Less unamortized (premium)/discount	(61,452)		288,208	
Less unamortized loss on defeasance	1,595,721		57,316	
<b>Total</b>	<b>\$59,120,731</b>		<b>\$25,089,476</b>	

**14. PLEDGED REVENUES**

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

Source of Revenue Pledged	Total Future Revenues Pledged *	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Housing and Dining revenues, net of operating expenses	\$95,759,783	Housing and Dining bonds issued in 1998, 1999, 2003, 2005, 2006, 2009	Construction and renovation of student housing projects	2034	93.7%
Student Recreation Center gross revenues	\$44,140,868	Student Recreation Center bonds issued in 2002	Construction of the Student Recreation Center	2033	43.0%

\* Total future principal and interest payments on debt

**15. LONG TERM LIABILITIES**

Following are the changes in long term liabilities for the years ended June 30, 2009 and 2008:

	6/30/2008	Additions/ Amortization	Retirements	6/30/2009	Current Portion
<b>Bonds and notes payable</b>					
Revenue and refunding bonds	\$72,426,887	\$14,483,320	\$2,700,000	\$84,210,207	\$2,805,000
Notes payable	3,207,911	88,651	257,603	3,038,959	264,333
Net pension obligation	1,068,510	1,053,000	89,772	2,031,738	195,000
Total long term liabilities	<u>\$76,703,308</u>	<u>\$15,624,971</u>	<u>\$3,047,375</u>	<u>\$89,280,904</u>	<u>\$3,264,333</u>
	6/30/2007	Additions/ Amortization	Retirements	6/30/2008	Current Portion
<b>Bonds and notes payable</b>					
Revenue and refunding bonds	\$74,848,148	\$178,739	\$2,600,000	\$72,426,887	\$2,700,000
Notes payable	3,416,365	358,643	567,097	3,207,911	257,471
Net pension obligation	603,053	563,000	97,543	1,068,510	97,500
Total long term liabilities	<u>\$78,867,566</u>	<u>\$1,100,382</u>	<u>\$3,264,640</u>	<u>\$76,703,308</u>	<u>\$3,054,971</u>

**16. LEASES**

The University finances certain equipment through non-cancelable operating leases. At June 30, 2009, future payments under these operating leases are as follows:

Fiscal Year	Lease Payment
2010	\$346,599
2011	288,805
2012	227,848
2013	188,270
2014	15,423
Total minimum lease payments	<u>\$1,066,945</u>

**17. DEFERRED COMPENSATION**

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

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

**18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES**

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

Operating expenses by functional classification for the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Instruction	\$86,764,924	\$86,490,893
Research	4,736,643	4,145,858
Academic support	11,822,416	11,319,808
Student services	15,787,601	16,420,205
Institutional support	19,008,185	20,962,731
Operation and maintenance of plant	37,545,597	31,090,406
Scholarships and other student aid	14,585,348	14,527,102
Auxiliary enterprise expenditures	42,310,541	41,507,130
Total operating expenses	<u>\$232,561,255</u>	<u>\$226,464,133</u>

**19. PENSION PLANS**

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

The payroll for the University employees covered by PERS for the year ended June 30, 2009 and 2008 is \$35,274,807 and \$35,208,415; the payroll for employees covered by TRS is \$1,140,745 and \$1,286,424; the payroll covered by WWURP is \$73,205,253 and \$70,996,394; the payroll for LEOFF is \$745,017 and \$719,410, respectively.

Western Washington University Retirement Plan (WWURP)
*Plan Description*

The Western Washington University Retirement Plan (WWURP) is a defined contribution pension plan with a supplemental payment, when required. The WWURP plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provisions.

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

*Funding Policy*

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

The amounts for the years ending June 30, 2009, and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Employee	\$5,535,103	\$5,040,493
University	5,530,958	5,049,565

Supplemental Component

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

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

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

respectively, and is amortized over a 14.5 year period.

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

The actuarial assumptions included an investment rate of return of 6% to 8% and projected salary increases ranging from 2% to 4%. Approximately \$73,205,253 and \$63,343,172 of the University's payroll was covered under this plan during 2009 and 2008, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2009:

Balance as of June 30, 2007	\$603,053
Annual Required Contribution FY 08	563,000
Payments to Beneficiaries FY 08	<u>(97,543)</u>
Balance as of June 30, 2008	1,068,510
Annual Required Contribution FY 09	1,053,000
Payments to Beneficiaries FY 09	<u>(89,772)</u>
Balance as of June 30, 2009	<u><u>\$2,031,738</u></u>

PERS, TRS and LEOFF

*Plan Description*

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

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

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

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

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

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

*Funding Policy*

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

The required contribution rates expressed as a percentage of current year covered payroll at June 30, 2009 follow:

	<u>Employee</u>	<u>University</u>
<b>PERS</b>		
Plan I	6.00%	8.31%
Plan II	5.45%	8.31%
Plan III	5-15%	8.31%
<b>TRS</b>		
Plan I	6.00%	8.46%
Plan II	4.03%	8.02%
Plan III	5-15%	8.02%
<b>LEOFF</b>		
Plan II	8.83%	8.99%

The required contributions for the years ending June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
<b>PERS</b>		
Employee	\$1,967,277	\$1,622,505
University	2,886,087	2,120,547
<b>TRS</b>		
Employee	32,195	44,421
University	42,344	41,325
<b>LEOFF</b>		
Employee	65,785	62,106
University	66,977	63,283

All required employer and employee contributions have been made.

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

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

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

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For 2009, this amount was \$183 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington at July 1, 2009.

The Actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length

of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University's financial statements.

The University was billed and paid approximately \$14.3 million for active and retiree health care expenses during fiscal 2009 and \$17.5 million in fiscal 2008.

## 21. RISK MANAGEMENT

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

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

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

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

## 22. COMMITMENTS

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2009 and 2008 are:

	<u>2009</u>	<u>2008</u>
Operating	\$2,761,520	\$2,899,317
Research	801,395	1,046,000
Capital projects	<u>9,915,760</u>	<u>16,570,976</u>
Total commitments	<u>\$13,478,675</u>	<u>\$20,516,293</u>