

ASSOCIATED STUDENTS BOOKSTORE**Table of Contents**

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

June 30, 2010 and 2009

Overview of the Financial Statements and Financial Analysis

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

Presentation of the Financial Statements

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

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

Statements of Net Assets

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

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

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

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

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

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

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

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

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

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

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

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

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 MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2010 and 2009

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

Statements of Revenues, Expenses and Changes in Net Assets

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

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

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

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

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

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

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June 30, 2010 and 2009

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

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

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

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

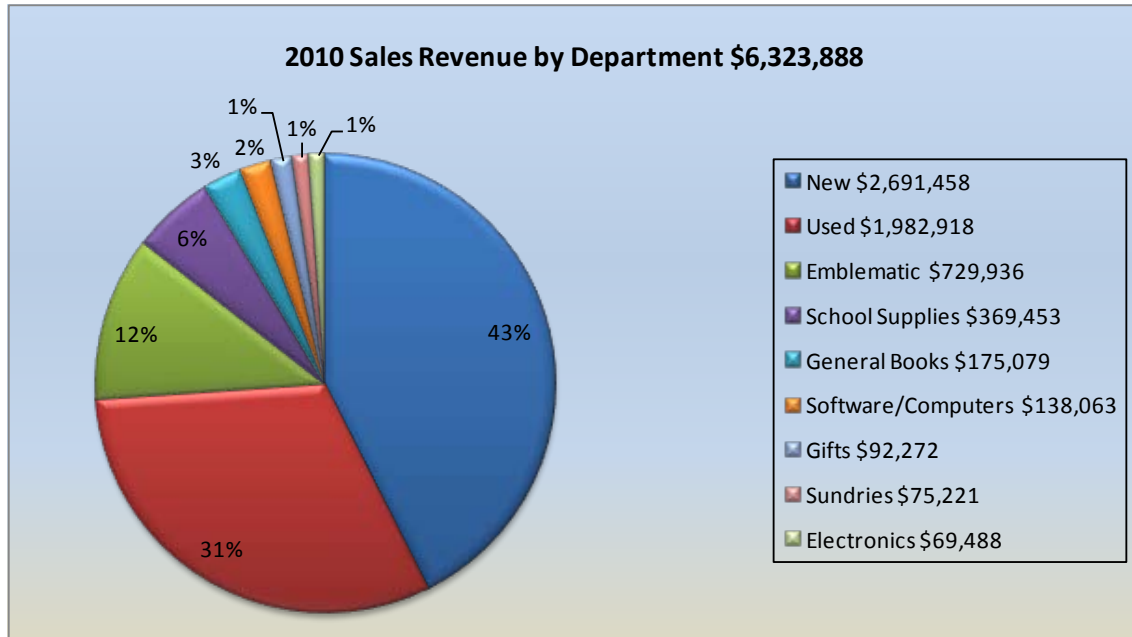
Other operating revenue decreased in fiscal 2010 by \$5,287 (-7.5%) over fiscal 2009. Fiscal 2009 had a decrease of \$48,184 (-40.7%) compared to fiscal 2008. This income consists mainly of commissions from wholesalers for books purchased from students that are not retained in the bookstore for resale.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

Revenues by Sales Department

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

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New book sales of \$2,691,458 increased in fiscal 2010 by \$115,585 (4.5%) over fiscal 2009, but decreased \$245,754 (-8.7%) in fiscal 2009 compared to fiscal 2008. The increase in fiscal 2010 can be attributed to a combination of the changes in instructors' choice of class material and new custom textbooks that were not available as used books. Used book sales of \$1,982,918 in fiscal 2010 were down \$89,379 (-4.3%) from sales of \$2,072,657 in fiscal 2009. This compares to an increase in sales of \$209,084 (11.2%) in fiscal 2009 compared to fiscal 2008 due to the availability of used books on hand. Because the increase in new book sales offsets the reduction in used book sales, total textbook sales increased only \$25,846 (0.5%) in fiscal 2010, compared to a decrease of \$36,670 (-0.8%) in fiscal 2009 and an increase of \$536,668 (12.9%) in fiscal 2008.

Emblematic sales increased 6.0% to \$729,936 compared to sales of \$688,700 in fiscal 2009 and \$691,391 in fiscal 2008. The increase in sales in fiscal 2010 is due in part to the new \$9.95 tee shirt program and in Spring 2010 the Bookstore increased the number of promotional events they were involved in. Emblematic sales decreased in fiscal 2009 when comparing fiscal 2008 by \$2,691 (-0.4%) due to the slowing economy.

General books sales continue to decline, with sales of \$175,079 (a decrease of 11.7%) compared to \$198,301 in fiscal 2009 and \$201,789 in fiscal 2008. This is a national trend among college bookstores given the availability of general books through large quick-ship online sources and the availability of information on the internet such as reference and travel books.

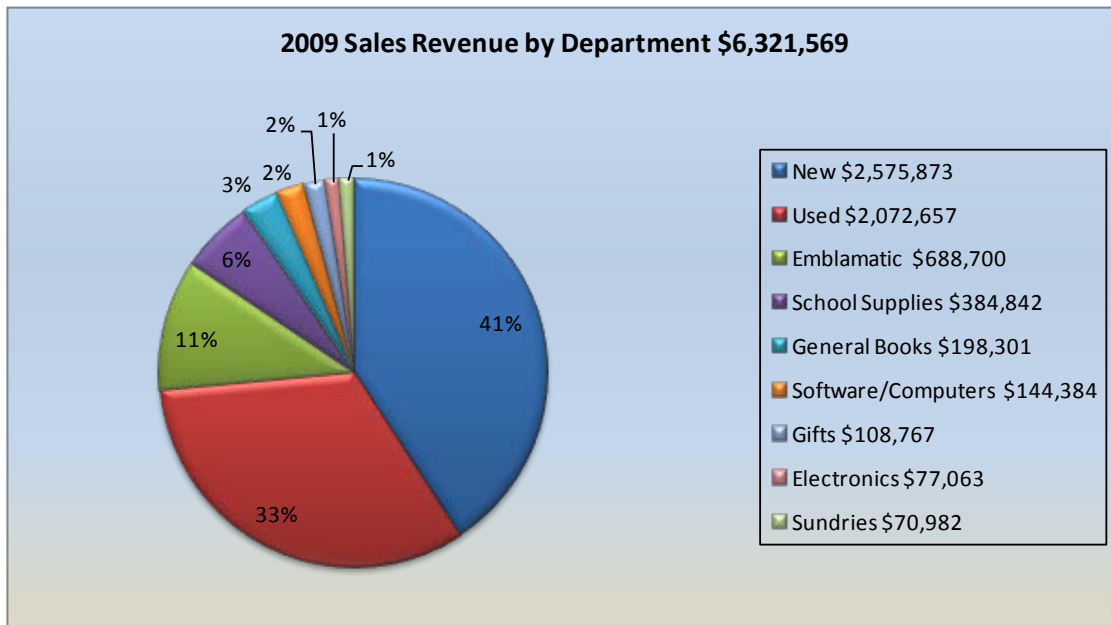
Software/Computer sales declined by \$6,321 (-4.3%) in fiscal 2010 as compared to fiscal 2009 due to changing trends in the marketplace such as electronic readers for digital books and other devices that the Bookstore currently does not carry. This revenue category declined by \$56,908 (-28.3%) in fiscal 2009 compared to fiscal 2008 as a result of the loss of Apple hardware products sales when the Bookstore's Apple relationship was discontinued in fiscal 2008 due to Apple's requirement for a full-time Apple certified technician on staff.

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June 30, 2010 and 2009

Sundries sales in fiscal 2010 were \$75,221, an increase of \$4,239 (6.0%) from fiscal 2009 sales while these sales decreased \$5,131 (-6.7%) comparing fiscal 2009 to fiscal 2008. The fiscal 2010 increase resulted from a concentrated effort to stock a broader product selection.

Electronic sales, which includes calculators and other electronic devices, were \$69,488, a decrease of \$7,575 (-9.8%) from fiscal 2009. Electronic sales were \$80,985 in fiscal 2008. This decline resulted from changing media demands such as moving from more expensive zip drives to less expensive flash drives.



Expenses by Major Source

Total operating expenses for fiscal 2010 was \$1,470,436, an increase of \$111,765 (8.2%) from fiscal 2009. The most significant factor was an increase in salaries and benefits expense of \$144,655 (16.8%) from fiscal 2009. Salaries increased by \$88,504 (12.8%) while benefits increased \$56,151 (32.4%) during fiscal 2010. The salary increase is due to the filling of positions in fiscal 2010 that were vacant in the prior fiscal year. The increase in benefits expense was due to changes in sick leave and vacation leave accruals for new employees and the transfer of accrued benefits from another department due to a transfer of an employee to the Bookstore staff. Operating expenses decreased \$98,143 (-6.7%) in fiscal 2009 compared to fiscal 2008 primarily due to a decrease in salaries and benefits of \$119,013 (-12.1%) during fiscal 2009 compared to fiscal 2008 due to vacant positions that were not filled until fiscal 2010.

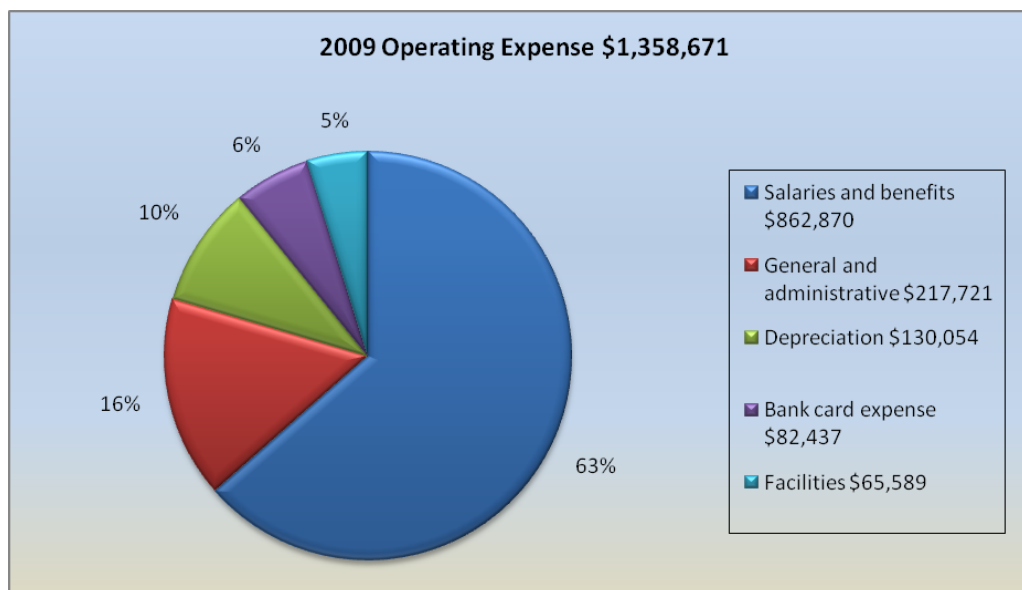
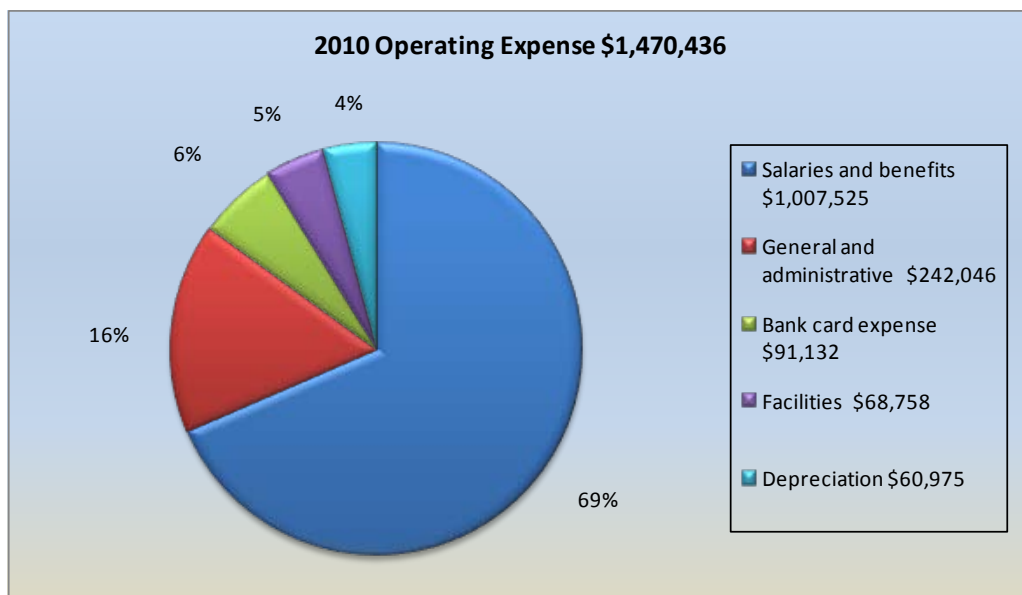
General and administrative expenses were \$242,046 in fiscal 2010, an increase of \$24,325 (11.2%) from fiscal 2009. General and administrative expenses increased \$25,797 (13.4%) to \$217,721 in fiscal 2009 compared to \$191,924 in fiscal 2008. The increase in fiscal 2010 is comprised of \$7,934 in one-time relocation expenses for the new manager and a \$14,014 increase in freight out charges due to larger returns to publishers. The increase in fiscal 2009 general and administrative expense was the result of the increase in the University's administrative assessment fee, as well as the purchase of new hand-held devices to support the Sequoia system. Each handheld unit had a cost that was below the \$5,000 threshold for capitalization. This expense was covered with nonoperating revenue provided by the ASWWU in June of 2009.

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Depreciation in fiscal 2010 was \$60,975, down \$69,079 (53.1%) as the fiscal 2005 purchase of the Sequoia system was fully depreciated in the first half of fiscal 2010. Depreciation for fiscal 2009 was \$130,054 and \$130,410 in fiscal 2008.

Total nonoperating expenses decreased by \$110,348 (-83.8%) in fiscal 2010 compared to fiscal 2009 and increased \$28,918 (28.1%) comparing fiscal 2009 to fiscal 2008. The variances during fiscal 2010 and fiscal 2009 result from a combination of lower interest earnings reflective of historically low interest rates along with no distribution payable to the ASWWU for fiscal 2010 according to the existing revenue sharing agreement which prioritizes the first \$25,000 in net revenues to be placed in the Bookstore's reserve in order to safeguard the Bookstore as a viable, self-supporting auxiliary.



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

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Economic Factors and Significant Events

This year's lower profitability highlights the importance of managing strategically in a difficult and rapidly changing industry environment. Trends during fiscal 2010 were steady sales but higher cost of goods, lower interest earnings and higher operating expenses. While some of the higher costs were one-time in nature, the Bookstore is taking steps to reduce costs of business where possible in order to maintain its 10% textbook discount for students.

For over two years, the General Manager position had been vacant but filled temporarily with existing staff performing higher level duties. Progress has been made during fiscal 2010 to implement billing of textbook purchases on students' accounts, a service that could save the Bookstore in credit card fees.

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

June 30, 2010 and 2009

The Board of Trustees
Western Washington University

We have audited the accompanying statements of net assets of Western Washington University Associated Students Bookstore (the Bookstore) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Bookstore's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the Bookstore are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2010 and 2009, the changes in its financial position, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bookstore as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits for the years ended June 30, 2010 and 2009 were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bookstore's basic financial statements taken as a whole. The supplementary information included on pages 24 through 27 for the years ended June 30, 2010 and 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole for the years ended June 30, 2010 and 2009.

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

June 30, 2010 and 2009

We have also previously audited, in accordance with generally accepted auditing standards, the statements of net assets of the Bookstore as of June 30, 2008, 2007, and 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. The supplementary information included on pages 24 through 27 related to the Bookstore's 2008, 2007, and 2006 financial statements was subjected to auditing procedures applied in the audit of those basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

KPMG LLP

Seattle, Washington
October 12, 2010

**ASSOCIATED STUDENTS BOOKSTORE
 STATEMENTS OF NET ASSETS**
June 30, 2010 and 2009

Assets	2010	2009
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$1,324,781	\$651,797
Cash and cash equivalents, restricted	430	15,578
Investments (Note 2)	465,491	559,122
Receivables (Note 3)	280,142	640,263
Inventory	710,393	966,976
Prepaid expense	2,551	-
Total current assets	<u>2,783,788</u>	<u>2,833,736</u>
Noncurrent assets		
Investments (Note 2)	-	24,134
Building improvements and equipment, net (Note 5)	1,463,330	1,515,718
Total noncurrent assets	<u>1,463,330</u>	<u>1,539,852</u>
Total assets	<u>4,247,118</u>	<u>4,373,588</u>
 Liabilities		
Current liabilities		
Accounts payable and accrued expenses	264,371	248,567
Distribution payable to Associated Students of WWU	-	165,440
Distribution payable to WWU Athletics Department	36,497	34,435
Total current liabilities	<u>300,868</u>	<u>448,442</u>
 Net Assets		
Invested in capital assets	1,463,330	1,515,718
Unrestricted	2,482,490	2,393,850
Restricted, expendable	430	15,578
Total net assets	<u>\$3,946,250</u>	<u>\$3,925,146</u>

ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS *June 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Sales, net of discounts	\$6,323,888	\$6,321,569
Cost of goods sold	4,875,830	4,710,880
Gross margin	<u>1,448,058</u>	<u>1,610,689</u>
Other Operating Revenues	64,827	70,114
Operating Expenses		
Salaries and benefits	1,007,525	862,870
General and administrative expense	242,046	217,721
Facilities expense	68,758	65,589
Depreciation	60,975	130,054
Bank card expense	91,132	82,437
Total operating expenses	<u>1,470,436</u>	<u>1,358,671</u>
Income from operations	42,449	322,132
Nonoperating Revenues (Expenses)		
Investment income	15,152	38,182
Distribution from Associated Students of WWU	-	30,000
Distribution to Associated Students of WWU	-	(165,440)
Distribution to WWU Athletics Department	(36,497)	(34,435)
Total nonoperating expenses	<u>(21,345)</u>	<u>(131,693)</u>
Increase in net assets	21,104	190,439
Total Net Assets, Beginning of Year	<u>3,925,146</u>	<u>3,734,707</u>
Total Net Assets, End of Year	<u><u>\$3,946,250</u></u>	<u><u>\$3,925,146</u></u>

ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF CASH FLOWS
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$6,748,836	\$6,177,320
Payments to employees	(994,562)	(871,332)
Payments to suppliers	(5,020,893)	(5,272,199)
Net cash provided by operating activities	<u>733,381</u>	<u>33,789</u>
Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	-	30,000
Distribution to WWU Athletics Department	(34,435)	(34,570)
Distribution to Associated Students of WWU	(165,440)	(123,110)
Net cash used in noncapital financing activities	<u>(199,875)</u>	<u>(127,680)</u>
Cash Flows from Investing Activities		
Investment income received	15,152	38,182
Net sales of investments in internal pool	117,765	213,769
Net cash flows provided by investing activities	<u>132,917</u>	<u>251,951</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(8,587)	-
Net cash used in capital and related financing activities	<u>(8,587)</u>	<u>-</u>
Net increase in cash and cash equivalents	657,836	158,060
Cash and cash equivalents, beginning of year	<u>667,375</u>	<u>509,315</u>
Cash and cash equivalents, end of year	<u><u>\$1,325,211</u></u>	<u><u>\$667,375</u></u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities		
Income from operations	\$42,449	\$322,132
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	60,975	130,054
Change in operating assets and liabilities		
Receivables	360,121	(214,364)
Accounts payable and accrued expenses	15,804	27,620
Prepaid expense	(2,551)	-
Inventory	256,583	(231,653)
Net cash provided by operating activities	<u><u>\$733,381</u></u>	<u><u>\$33,789</u></u>

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

June 30, 2010 and 2009

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self supporting, auxiliary enterprise of Western Washington University (WWU). The Associated Students of WWU (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of textbooks, supplies and general merchandise.

Financial Statements Presentation

These financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). The statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations or changes in net assets of WWU.

Basis of Accounting

The Bookstore's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Bookstore has elected not to apply any FASB pronouncements after November 30, 1989.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Bookstore records their share of cash, cash equivalents and investments in the same relation as the WWU investment pool itself. Investment income is allocated to the Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due. When an account is deemed uncollectible, it is written off using the direct method and assigned to a collection agency. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on WWU property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010 and 2009

Net Assets

The Bookstore's net assets are classified as follows:

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

Restricted, expendable net assets. This category represents net assets restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

Unrestricted net assets. This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

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

Operating expenses. Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

Nonoperating expenses. Nonoperating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

The University, and the Bookstore as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Assessment

The University provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

Reclassifications

Certain amounts related to the June 30, 2009 financial statements have been reclassified to conform to the June 30, 2010 financial statement presentation.

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

June 30, 2010 and 2009

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool (LGIP). The LGIP is considered a cash equivalent.

	2010	Weighted Average Maturity	2009	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$1,325,211	n/a	\$667,375	n/a
Investments				
WWU Investment Pool	\$465,491	6.8 months	\$583,256	6.1 months

WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year. The WWU pooled investment with the LGIP is invested in high-quality, short-term investments. Investments in the LGIP are restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less.

NOTE 3. RECEIVABLES

Receivables at June 30, 2010 and 2009 include:

	2010	2009
Credits due from publishers	\$272,767	\$610,994
Accounts receivable	7,375	29,269
	<u>\$280,142</u>	<u>\$640,263</u>

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement is in effect until June 30, 2011 when it will be renegotiated with the AS Board. There was no distribution for fiscal 2010 and a distribution of \$165,440 for fiscal 2009.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the WWU Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2010 and 2009 was \$36,497 and \$34,435 respectively.

ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 5. BUILDINGS, IMPROVEMENTS, AND EQUIPMENT

The depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$60,975 and \$130,054, respectively.

Following are the changes in building and equipment for the years ended June 30, 2010 and 2009:

	June 30, 2009	Additions	Retirements	June 30, 2010
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	613,505	8,587	(176,312)	445,780
	<u>2,480,538</u>	<u>8,587</u>	<u>(176,312)</u>	<u>2,312,813</u>
Less accumulated depreciation	(964,820)	(60,975)	176,312	(849,483)
Building Improvements and Equipment, net	<u>\$1,515,718</u>	<u>(\$52,388)</u>	<u>\$ -</u>	<u>\$1,463,330</u>
	June 30, 2008	Additions	Retirements	June 30, 2009
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	649,108	-	(35,603)	613,505
	<u>2,516,141</u>	<u>-</u>	<u>(35,603)</u>	<u>2,480,538</u>
Less accumulated depreciation	(870,369)	(130,054)	35,603	(964,820)
Building Improvements and Equipment, net	<u>\$1,645,772</u>	<u>(\$130,054)</u>	<u>\$ -</u>	<u>\$1,515,718</u>

NOTE 6. PENSION PLAN

Bookstore employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

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

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS******June 30, 2010 and 2009***

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

WWURP is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

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

The Bookstore contributed \$29,874 and \$43,148 to these plans in fiscal 2010 and fiscal 2009, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

The University funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. The University is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

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SUPPLEMENTAL INFORMATION

**ASSOCIATED STUDENTS BOOKSTORE
 SUPPLEMENTAL INFORMATION**
June 30, 2010 and 2009
**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET ASSETS
 Years ended June 30, 2010, 2009, 2008, 2007, and 2006**

Assets	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$2,783,788	\$2,833,736	\$2,407,585	\$2,016,320	\$2,312,530
Non-current assets	-	24,134	59,977	103,146	102,312
Capital Assets	<u>1,463,330</u>	<u>1,515,718</u>	<u>1,645,772</u>	<u>1,776,182</u>	<u>1,906,905</u>
Total assets	<u>4,247,118</u>	<u>4,373,588</u>	<u>4,113,334</u>	<u>3,895,648</u>	<u>4,321,747</u>
Liabilities					
Accounts payable and accruals	264,371	248,567	220,947	277,058	338,701
Due to other WWU departments	<u>36,497</u>	<u>199,875</u>	<u>157,680</u>	<u>31,993</u>	<u>179,576</u>
Total liabilities	<u>300,868</u>	<u>448,442</u>	<u>378,627</u>	<u>309,051</u>	<u>518,277</u>
Total Net Assets	<u><u>\$3,946,250</u></u>	<u><u>\$3,925,146</u></u>	<u><u>\$3,734,707</u></u>	<u><u>\$3,586,597</u></u>	<u><u>\$3,803,470</u></u>
Current ratio (current assets/current liabilities)	9.25	6.32	6.36	6.52	4.46
Return on assets (change in net assets/total assets)	0.5%	4.4%	3.6%	-5.6%	1.6%

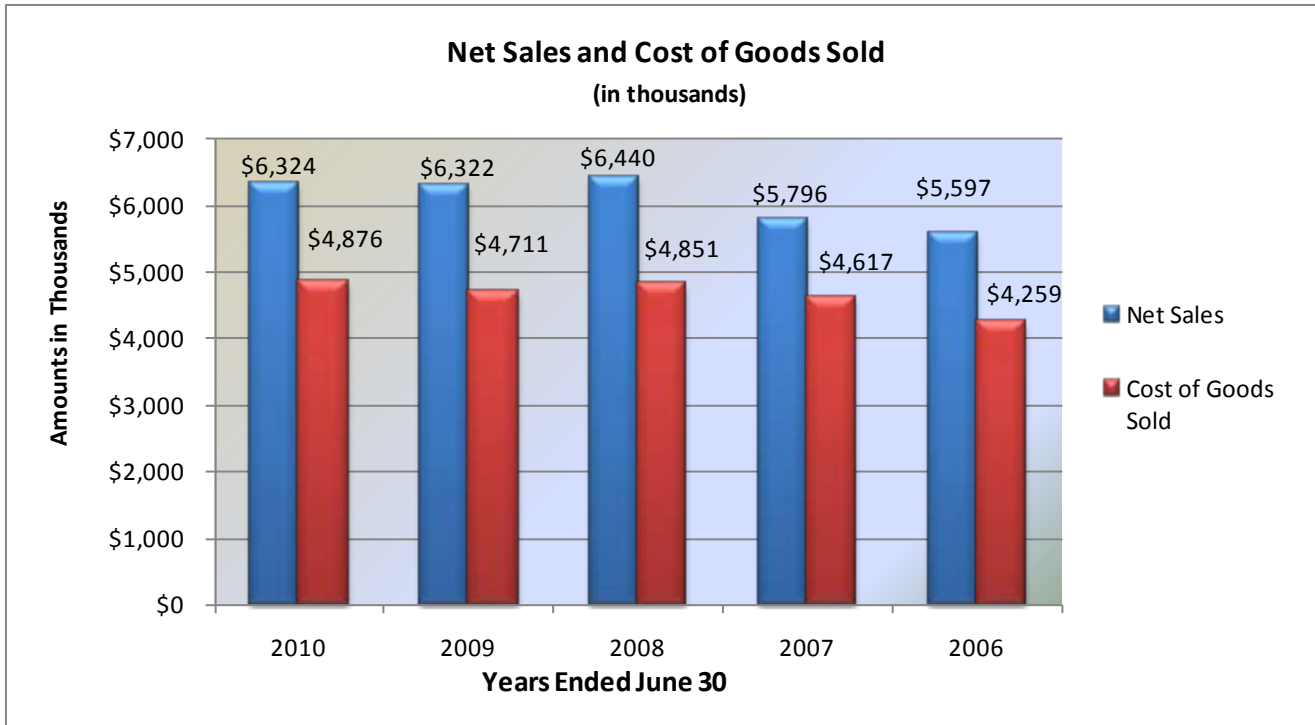
**ASSOCIATED STUDENTS BOOKSTORE
 SUPPLEMENTAL INFORMATION**
June 30, 2010 and 2009
**FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
 Years ended June 30, 2010, 2009, 2008, 2007, and 2006**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net sales	\$6,323,888	\$6,321,569	\$6,439,936	\$5,796,136	\$5,596,555
Cost of goods sold	4,875,830	4,710,880	4,850,535	4,617,203	4,259,258
Gross profit	1,448,058	1,610,689	1,589,401	1,178,933	1,337,297
Other Operating Revenues	64,827	70,114	118,298	121,057	75,323
Operating expenses					
Salaries and benefits	1,007,525	862,870	981,883	1,036,578	993,815
General and administrative expense	242,046	217,721	191,924	237,107	194,634
Facilities expense	68,758	65,589	68,615	54,757	51,171
Depreciation	60,975	130,054	130,410	130,723	131,930
Bank card expense	91,132	82,437	83,982	80,784	77,463
Total operating expense	<u>1,470,436</u>	<u>1,358,671</u>	<u>1,456,814</u>	<u>1,539,949</u>	<u>1,449,013</u>
Income (loss) from operations	42,449	322,132	250,885	(239,959)	(36,393)
Nonoperating revenues (expenses)					
Investment income	15,152	38,182	54,905	39,579	39,394
Rental income	-	-	-	15,500	15,500
Distribution from Associated Students of WWU	-	30,000	-	-	-
Distribution to Associated Students of WWU	-	(165,440)	(123,110)	-	(150,000)
Distribution to WWU Athletics Department	(36,497)	(34,435)	(34,570)	(31,993)	(29,576)
Total nonoperating revenues (expenses)	<u>(21,345)</u>	<u>(131,693)</u>	<u>(102,775)</u>	<u>23,086</u>	<u>(124,682)</u>
Increase (decrease) in net assets	<u>\$21,104</u>	<u>\$190,439</u>	<u>\$148,110</u>	<u>(\$216,873)</u>	<u>(\$161,075)</u>
Gross profit percentage (gross profit/net sales)	22.9%	25.5%	24.7%	20.3%	23.9%

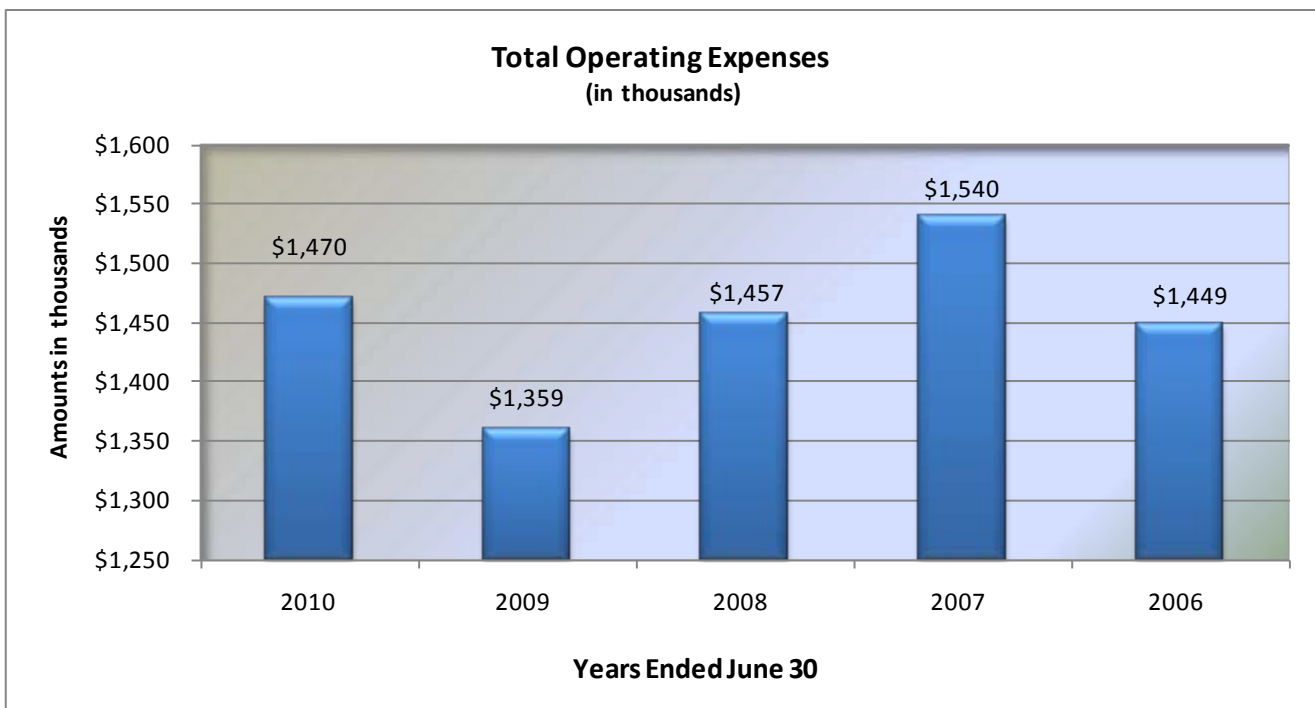
**ASSOCIATED STUDENTS BOOKSTORE
SUPPLEMENTAL INFORMATION**

June 30, 2010 and 2009

FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



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

