WESTERN
WASHINGTON UNIVERSITY

ASSOCIATED STUDENTS BOOKSTORE

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Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Associated Students Bookstore (the Bookstore) for the years ended June 30, 2011, 2010 and 2009. 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, 2011, 2010 and 2009:

ASSETS	2011	2010	2009
Current Assets	$2,238,423	$2,783,788	$2,833,736
Noncurrent Assets	518,356	-	24,134
Capital Assets, net	1,414,541	1,463,330	1,515,718
Total assets	4,171,320	4,247,118	4,373,588
LIABILITIES			
Current liabilities	164,866	300,868	448,442
Total liabilities	164,866	300,868	448,442
NET ASSETS			
Invested in capital assets, net	1,414,541	1,463,330	1,515,718
Net assets, unrestricted	2,591,913	2,482,490	2,393,850
Net assets, restricted, expendable	-	430	15,578
Total net assets	$4,006,454	$3,946,250	$3,925,146

The Bookstore's net assets increased for the third year in a row. At June 30, 2011, total net assets were $4,006,454, an increase of $60,204 (1.5%) from fiscal 2010 and $21,104 (0.5%) when comparing fiscal 2010 to fiscal 2009.

Current assets decreased $545,365 (-19.6%) from fiscal 2010. The most significant change was the reallocation of cash and cash equivalents to noncurrent investments, offset by an increase in inventories of $143,691(20.2%) related to the purchase of additional custom products which are only available new. Current assets decreased $49,948 (-1.8%) comparing fiscal 2010 to fiscal 2009. The fiscal 2010 decrease was the net result of an increase of $657,836 (98.6%) in cash, cash equivalents and investments offset by decreases in inventories of $256,583 (-26.5%) and receivables of $360,121 (-56.2%). The cash and cash equivalents increase is the result of reallocating funds from investments to cash and equivalents due to low interest earnings in the market. The fiscal 2010 decrease in inventories reflects management's concerted effort to reduce overstock items that were no longer required by faculty. The decrease in receivables was primarily due to using existing publisher credits for new purchases.

Noncurrent investments increased $518,356 (100.0%) from fiscal 2010 due to the purchase of long-term U.S. Treasury and Agency securities. Noncurrent investments decreased $24,134 (-100.0%) in fiscal 2010 compared to fiscal 2009 due to a change in the mix of long-term and short-term investments held with the University.

Capital assets decreased by $48,789 (-3.3%) in fiscal 2011 and decreased $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. No new capital assets were added in fiscal 2011. The only capital asset purchased in fiscal 2010 was a Dell server for the Sequoia point of sale system (PC POS) for $8,587.

Total current liabilities decreased $136,002 (-45.2%) from fiscal 2010 and decreased $147,574 (-32.9%) in fiscal 2010 from fiscal 2009. The significant decrease in fiscal 2011 was the result of improvements in the Bookstore's accounts payable processes, offset by an increase of $35,202 (100.0%) in the transfer to the Associated Students of Western Washington University (ASWWU). The decrease in fiscal 2010 from 2009 is primarily due to no distribution payable to the ASWWU for fiscal 2010 according to the existing revenue sharing agreement. This agreement 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. The transfer to ASWWU in fiscal 2009 was $165,440. The ASWWU maintains a Bookstore Reserve Fund to accommodate these potential fluctuations in shared revenue and to make one-time allocations back to the Bookstore for strategic investments as funds allow.

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 PC POS system. In fiscal 2009, the Bookstore spent $14,422 of these restricted assets on noncapital equipment for the 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 PC POS system to meet Payment Card Industry Data Security Standards (PCI DSS). Of these purchases, $8,587 was capitalized and the remaining $6,561 was expensed in accordance with the University's capitalization policy.

In fiscals 2011 and 2010, total net assets increased by $60,204 (1.5%) and $21,104 (0.5%), respectively due primarily to the changes in liabilities described above.

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, 2011, 2010 and 2009:

	2011	2010	2009
Sales, net of discounts	$6,399,545	$6,323,888	$6,321,569
Cost of goods sold	4,819,995	4,875,830	4,710,880
Gross margin	1,579,550	1,448,058	1,610,689
Other operating revenues	61,686	64,827	70,114
Operating expenses	1,511,897	1,470,436	1,358,671
Income (loss) from operations	129,339	42,449	322,132
Nonoperating (expenses) revenues	(69,135)	(21,345)	(131,693)
Changes in net assets	60,204	21,104	190,439
Net assets, beginning of year	3,946,250	3,925,146	3,734,707
Net assets, end of year	$4,006,454	$3,946,250	$3,925,146

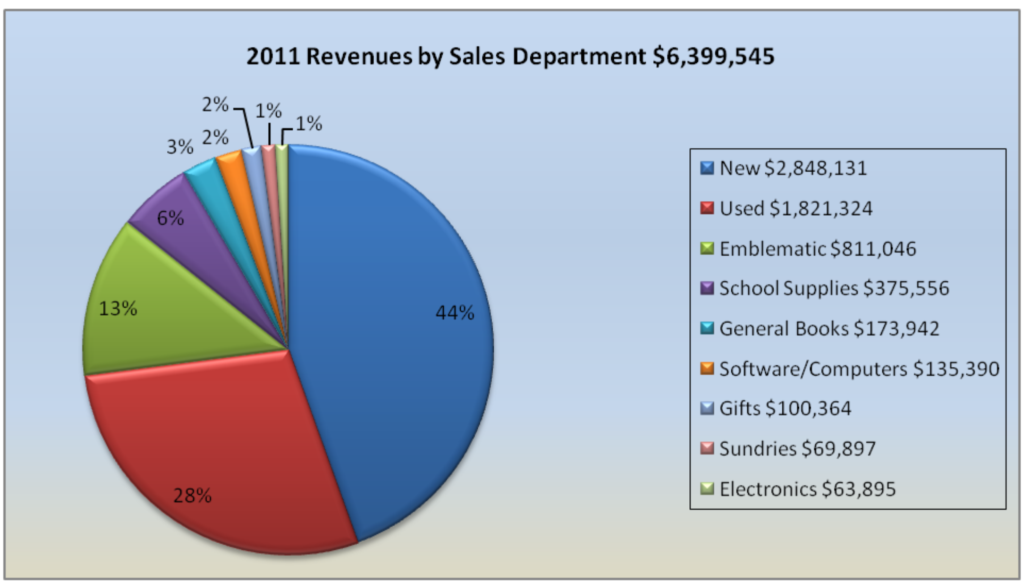
Sales net of discounts increased $75,567 (1.2%) from fiscal 2010 and increased $2,319 (0.4%) in fiscal 2010 from fiscal 2009, reflecting small gains in an increasingly competitive industry. Net sales figures are impacted by ratios of new to used books at different price points, as well as the beginning growth of digital modalities, textbook rentals and commissionable third party course-book sales via the Bookstore's website.

Cost of goods sold decreased $55,835 (-1.2%) from fiscal 2010 and increased $164,950 (3.5%) in fiscal 2010 from fiscal 2009. Increases in emblematic merchandise sales (which have higher margins than other product lines and therefore a lower cost) helped to decrease the total cost of goods in 2011. The increase in cost of goods sold in fiscal 2010 was partially attributable to an increase 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 carry a higher margin.

The Bookstore's gross margin increased $131,492 (9.1%) from fiscal 2010 and decreased $162,631 (-10.1%) in fiscal 2010 from fiscal 2009. The gross margin percentage for the Bookstore for fiscal 2011 was 24.7%, up from the gross margin percentage in fiscal 2010 of 22.9% which decreased from 25.5% in fiscal 2009. The Bookstore's gross margin percentage is lower than the average gross margin for bookstores reporting in the ICBA survey for 2009-2010 of 27.2% because of its discounting policies.

The Bookstore has a strong commitment to student success at the University, which includes providing affordable course materials. In support of this commitment, the Bookstore maintained its 10% discount on textbooks during fiscal 2011 and 2010. This discount represented an approximate reduction of $518,000 and $519,000 for fiscal 2011 and 2010, respectively in the cost of textbooks for Western Washington University students who purchased 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.

Other operating revenue decreased $3,141 (-4.9%) from fiscal 2010 and decreased $5,287 (-7.5%) in fiscal 2010 from fiscal 2009. This income consists mainly of commissions from wholesalers for books purchased from students that are not retained in the bookstore for resale. With more custom one-time use materials being adopted by faculty, fewer books are available for students to resell.



Revenues by Sales Department
Nearly three quarters of Bookstore sales are textbook sales. New and used books sales accounted for 72% of total sales in fiscal 2011. This is a slight decline from 73.9% of total sales in fiscal 2010, which were up slightly from 73.5% in fiscal 2009. The ICBA 2009-2010 survey indicates that among bookstores reporting, textbook sales are on average 59.7 % of total sales.,

New book revenue in fiscal 2011 was 61% of total course book revenue, 57.6% in fiscal 2010 and 55.4% in fiscal 2009. Used book revenue in fiscal 2011 was 39% of course book revenue, 42.4% in fiscal 2010 and 44.6% in fiscal 2009. This trend is significant because new book sales have a higher cost of goods and lower margin than used books sales. The Bookstore's used book sales are strong compared to the industry average of 34.2% as reported in the ICBA 2009-2010 Survey.

New book sales in fiscal 2011 were $2,848,131, an increase of $156,673 (5.8%) from $2,691,458 in fiscal 2010, which was an increase of $115,585 (4.5%) from $2,575,873 in fiscal 2009. The increases in fiscal 2011 and 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 along with more digital one time use products.

Used book sales in fiscal 2011 were $1,821,324, down $161,594 (-8.1%) from $1,982,918 in fiscal 2010 which were down $89,739 (-4.3%) from sales of $2,072,657 in fiscal 2009. Used book sales continue to decline as fewer titles are available, partially because that stock has shifted into the rental market inventory. In fiscal 2011, there were increasing options for student to rent textbooks. Textbook rentals typically cost 40% less than used books, although rentals have no potential buyback value for students. During spring quarter 2011 the Bookstore piloted a program with an on-line text book rental company with good reception from students and parents.

Emblematic sales increased in fiscal 2011 to $811,046 an increase of $81,110 (11.1%) from $729,936 in fiscal 2010 which was an increase of $41,236 (6.0%) from $688,700 in fiscal 2009. Sales increased in 2011 as a result of strong tee shirt sales with an increase of $48,567 (42.0%) over fiscal 2010 tee shirt sales as well as emblematic gift sales increases of $16,796 (24.0%) over fiscal 2010. Fiscal 2010 sales increases were due in part to a new $9.95 tee shirt program and in spring 2010 the Bookstore increased its number of promotional events. The increases in emblematic sales have a larger margin than the average sale and help keep cost of goods lower while strengthening the Bookstore's product diversification.

School and office supplies sales were $375,556 in fiscal 2011, an increase of $6,103 (1.7 %) from sales of $369,453 in fiscal 2010 which was a decrease of $15,389 (-4.0%) from $384,842 in fiscal 2009. The sales increase in fiscal 2011 was due to the addition of more imprinted folders and binders. Imprinted folders and binders had a decrease in sales during fiscal 2010 when compared to fiscal 2009.

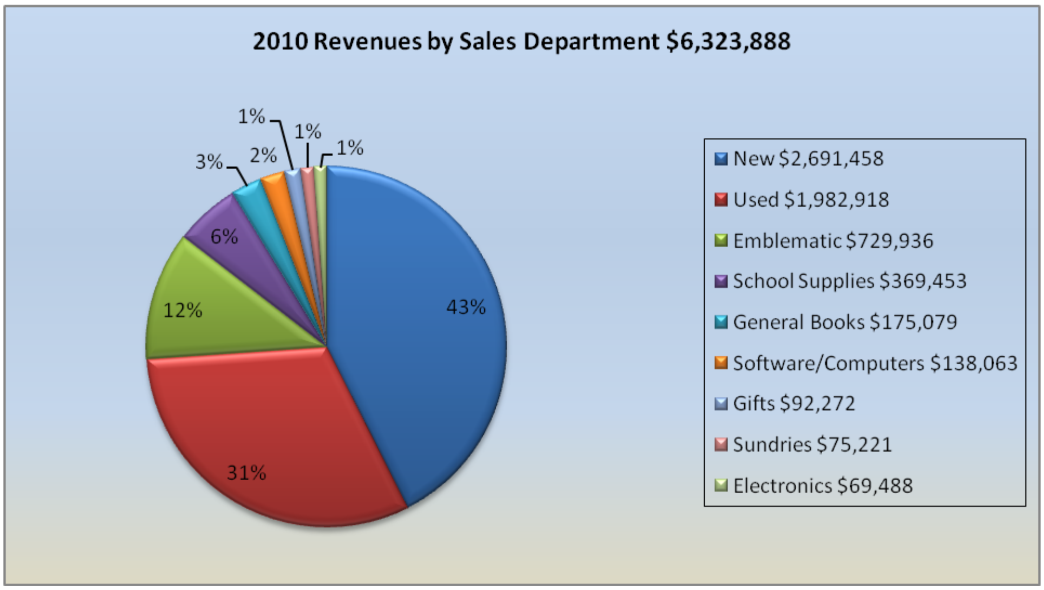
General book sales of $173,942 decreased by $1,137 (-0.7%) in fiscal 2011 from sales of $175,079 in fiscal 2010 which was a decrease of $23,222 (-11.7%) compared to $198,301 in fiscal 2009. This is a national trend among college bookstores given the availability of general books through large quick-ship online sources and the availability of information on the internet such as reference and travel books. Electronic reading devices continue to impact the decline in traditional general book sales.

Software/Computer sales were $135,390 in fiscal 2011, a decrease of $2,673 (-1.9%) when compared to fiscal 2010 sales of $138,063 which declined by $6,321 (-4.4%) compared to sales of $144,384 in fiscal 2009. This trend is due to a changing marketplace including more open source software and competition from applications created for portable devices.

Gift sales were $100,364 in fiscal 2011, an increase of $8,092 (8.8%) from $92,272 in fiscal 2010 which was a decrease of $16,495 (-15.2%) from sales of $108,767 in fiscal 2009. The increases in 2011 were a result of more desirable gift inventory available for sales. The decline in 2010 was a result of identifying older inventory items and marking this inventory at clearance prices.

Sundries sales in fiscal 2011 were $69,897, a decrease of $5,324 (-7.1%) from fiscal 2010 sales of $75,221 which was an increase of $4,239 (6.0%) from $70,982 in fiscal 2009. The sales decline in fiscal 2011 was due in part to the opening of a new food service venue in Wilson Library. The fiscal 2010 increase resulted from a concentrated effort to stock a broader product selection.

Electronic sales for fiscal 2011 were $63,895, a decrease of $5,593 (-8.0 %) from fiscal 2010 sales of $69,488 which was a decrease of $7,575 (-9.8%) from $77,063 in fiscal 2009. Electronic sales, which include calculators and storage devices, continue to decline. Calculator sales decreased 15.1% in fiscal 2011 as more smartphones and other electronic devices have calculator capabilities built into them.



Expenses by Major Source

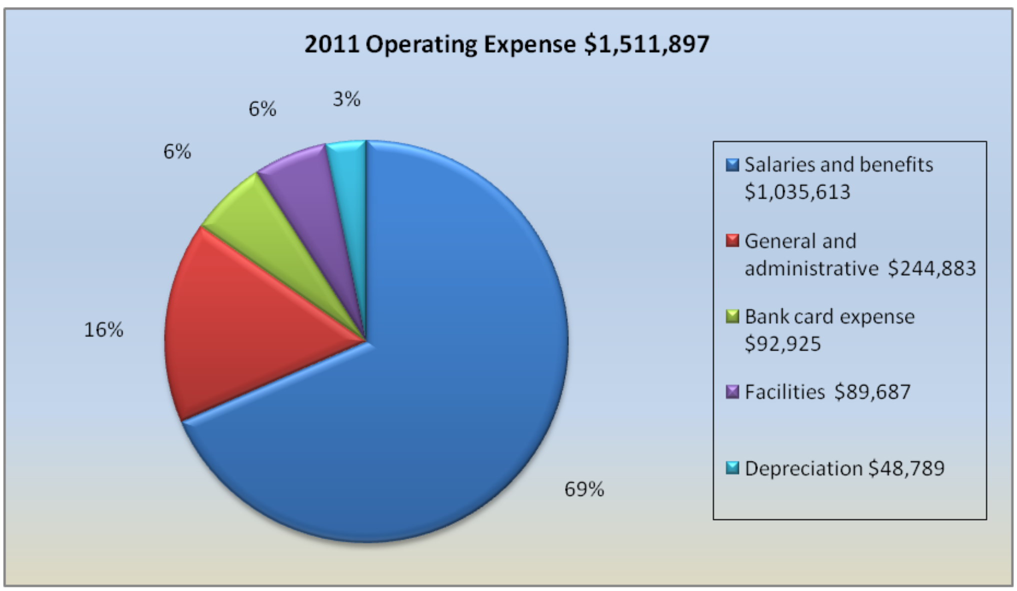
Total operating expenses increased $41,461 (2.8%) from fiscal 2010 and increased $111,765 (8.2%) from fiscal 2009 to fiscal 2010. The most significant increases in fiscal 2011 were in benefits paid to employees, which increased $105 per employee per month and increases in the university's administrative service charges. In fiscal 2010 the most significant factor was an increase in salaries and benefits expense of $144,655 (16.8%) from fiscal 2009, offset by a decrease in depreciation as the fiscal 2005 purchase of the PC POS system was fully depreciated in the first half of fiscal 2010. The salary increase was due to the filling of positions in fiscal 2010 that were vacant in the prior fiscal year.

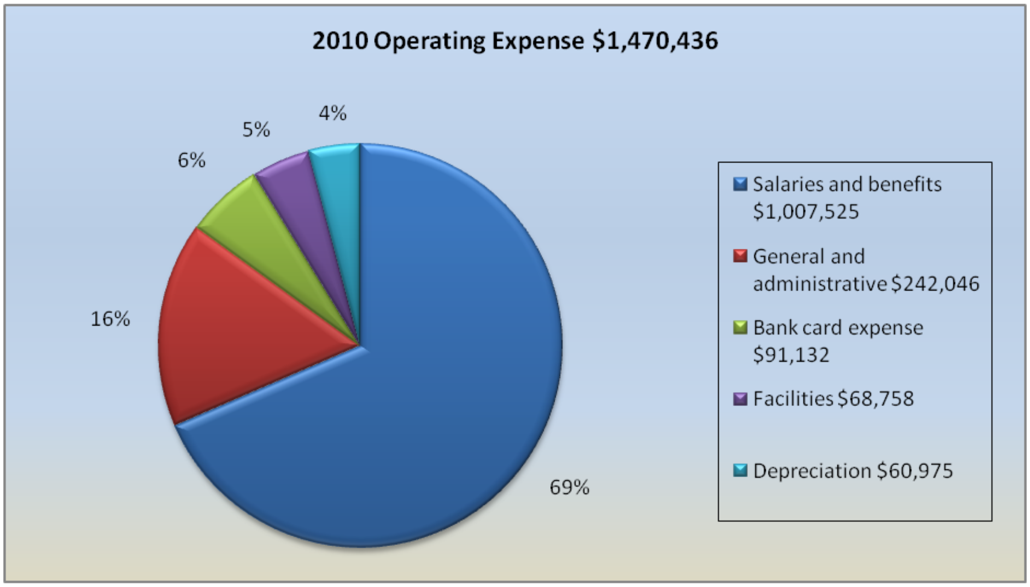
General and administrative expenses increased slightly $2,837 (1.2%) from fiscal 2010 and increased $24,325 (11.2%) from fiscal 2009 to fiscal 2010. The fiscal 2011 increase was due to an increase of $16,322 (32.9%) in the university's administrative services charge offset by decreases in other general and administrative expenses. The increase in fiscal 2010 was 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 as inventory was cleaned up.

Facilities expenses in fiscal 2011 increased $20,929 (30.4%) from fiscal 2010 and increased $3,169 (4.8%) from fiscal 2009 to fiscal 2010. The increase in fiscal 2011 was due to funding the resurfacing of the Bookstore roof.

Depreciation expense decreased $12,186 (-20.0%) in fiscal 2011 compared with fiscal 2010. Depreciation in fiscal 2010 decreased $69,079 (-53.1%) from fiscal 2009, as the2005 purchase of the PC POS system was fully depreciated in the first half of fiscal 2010.

Total nonoperating expenses increased $47,790 (223.9%) from fiscal 2010 and decreased $110,348 (-83.8%) from fiscal 2009 to fiscal 2010. The variances in fiscal 2011 were primarily due to larger distributions to the ASWWU and Athletics. The variances during fiscal 2010 compared with fiscal 2009 resulted from a combination of lower interest earnings reflective of historically low rates combined with no distribution payable to the ASWWU for fiscal 2010 according to the existing revenue sharing agreement. This agreement 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. The distribution payable from the Bookstore to the ASWWU was $35,202 in fiscal 2011. There was no distribution payable to the ASWWU in fiscal 2010, and the distribution payable in 2009 was $165,440. The distribution payable to Athletics (based on a percent of Emblematic revenues) increased $4,055 (11.1%) from fiscal 2010 and increased $2,062 (6.0%) from fiscal 2009 to fiscal 2010.





Economic Factors and Significant Events

Fiscal year 2011 expenses were fairly stable with some additional expenses for roof repair and higher administrative charges. There was only one change in full time personnel at the Bookstore as one staff member retired in late May. Sales were stable with an increase of approximately 1.0%. Textbook rentals and custom products such as loose leaf textbooks continue to put pressure on used book sales. The Bookstore acquired a price comparison tool that enables students to shop third party vendors on the store's website, encouraging loyalty to the Bookstore as well as returning a small commission on such third party sales. Partnerships are becoming more important as the course materials market is changing very rapidly.

The online course reservation system at the bookstore saw large increases in business as our student consumer increasingly prefers to shop on line. On line purchases through the Bookstore's sales in fiscal 2011 were $839,637, an increase of $252,357 (43.0%) from sales in fiscal 2010 of $587,280. More than 85.0% of these sales are textbook reservations. In fiscal 2011 the Bookstore staff processed orders throughout rush week (the first week of school), whereas in past years the Bookstore stopped accepting these orders the weekend before school started.

During the spring and summer of 2011, substantial progress was made in implementing an internal charge process at the Western Associated Students Bookstore which allows students to place Bookstore charges on their institutional student account. This service enhancement facilitates the Bookstore becoming the vendor of choice for students, and will reduce the Bookstore's credit card fee expense. Emblematic sportswear sales continue to grow; the Bookstore will assist in the University's new branding initiative through emblematic sales of the new institutional logo in addition to continued sales of the athletics logos.

INDEPENDENT AUDITOR'S REPORT

Washington State Auditor
Brian Sonntag

November 8, 2011

Board of Trustees
Western Washington University
Bellingham, Washington

We have audited the accompanying basic financial statements of the Western Washington University Associated Students Bookstore (the Bookstore) as of and for the year ended June 30, 2011, 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 audit. The basic financial statements of the Bookstore as of June 30, 2010, were audited by other auditors whose report dated October 12, 2010, expressed an unqualified opinion on the Bookstore's basic financial statements.

We conducted our audit 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Western Washington University Associated Students Bookstore are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Associated Students Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2011, the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Students Bookstore as of June 30, 2011, and the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

The accompanying information identified in the table of contents as the Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Assets	**2011**	**2010**
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	$766,334	$1,324,781
Cash and cash equivalents, restricted	-	430
Investments (Note 2)	340,171	465,491
Receivables (Note 3)	270,879	280,142
Inventory	854,084	710,393
Prepaid expense	6,955	2,551
Total current assets	2,238,423	2,783,788
Noncurrent assets		
Investments (Note 2)	518,356	-
Building improvements and equipment, net (Note 5)	1,414,541	1,463,330
Total noncurrent assets	1,932,897	1,463,330
Total assets	4,171,320	4,247,118
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	89,112	264,371
Distribution payable to Associated Students of WWU	35,202	-
Distribution payable to WWU Athletics Department	40,552	36,497
Total current liabilities	164,866	300,868
Net Assets		
Invested in capital assets	1,414,541	1,463,330
Unrestricted	2,591,913	2,482,490
Restricted, expendable	-	430
Total net assets	$4,006,454	$3,946,250

See Notes to Financial Statements

	2011	2010
Operating Revenues		
Sales, net of discounts	6,399,545	$6,323,888
Cost of goods sold	4,819,995	4,875,830
Gross margin	1,579,550	1,448,058
Other Operating Revenues	61,686	64,827
Operating Expenses		
Salaries and benefits	1,035,613	1,007,525
General and administrative expense	244,883	242,046
Facilities expense	89,687	68,758
Depreciation	48,789	60,975
Bank card expense	92,925	91,132
Total operating expenses	1,511,897	1,470,436
Income from operations	129,339	42,449
Nonoperating Revenues (Expenses)		
Investment income	6,619	15,152
Distribution to Associated Students of WWU	(35,202)	-
Distribution to WWU Athletics Department	(40,552)	(36,497)
Total nonoperating revenues (expenses)	(69,135)	(21,345)
Increase in net assets	60,204	21,104
Total Net Assets, Beginning of Year	3,946,250	3,925,146
Total Net Assets, End of Year	$4,006,454	$3,946,250

See Notes to Financial Statements

ASSOCIATED STUDENTS BOOKSTORE

STATEMENTS OF CASH FLOWS *June 30, 2011 and 2010*

	2011	2010
Cash Flows from Operating Activities		
Cash received from students and other customers	$6,470,494	$6,748,836
Payments to employees	(1,056,010)	(994,562)
Payments to suppliers	(5,550,447)	(5,020,893)
Net cash provided by operating activities	(135,963)	733,381
Cash Flows from Noncapital Financing Activities		
Distribution to WWU Athletics Department	(36,497)	(34,435)
Distribution to Associated Students of WWU	-	(165,440)
Net cash used in noncapital financing activities	(36,497)	(199,875)
Cash Flows from Investing Activities		
Investment income received	6,619	15,152
Net sales of investments in internal pool	(393,036)	117,765
Net cash flows provided by investing activities	(386,417)	132,917
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	-	(8,587)
Net cash used in capital and related financing activities	-	(8,587)
Net increase in cash and cash equivalents	(558,877)	657,836
Cash and cash equivalents, beginning of year	1,325,211	667,375
Cash and cash equivalents, end of year	$766,334	$1,325,211
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Income from operations	$129,339	$42,449
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	48,789	60,975
Change in operating assets and liabilities		
Receivables	9,263	360,121
Accounts payable and accrued expenses	(175,259)	15,804
Prepaid expense	(4,404)	(2,551)
Inventory	(143,691)	256,583
Net cash provided by operating activities	($135,963)	$733,381

See Notes to Financial Statements

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 (the University). 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 the University. As such, they are not intended to and do not present either the financial position, results of operations or changes in net assets of the University.

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

The University records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by the University are recorded at fair value. To maximize investment income, the University 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 University 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 the University's 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.

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.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk
The University's investment pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP), and U.S. Treasury and Agency securities. The LGIP is considered a cash equivalent. The University's 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.

The University manages its exposure to fair value losses in the internal investment pool by limiting the duration of its portfolio to a maximum of 1.82 years, with a target of 1.46 years.

	2011	Weighted Average Maturity (in years)	2010	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$ 766,334	n/a	$ 1,325,211	n/a
Investments				
Certificates of deposit	125,603	0.046	465,491	0.003
U.S. Treasury	628,184	5.500		
U.S. Agencies	104,740	4.000		
	$ 1,624,861		$ 1,790,702	

NOTE 3. RECEIVABLES

Receivables at June 30, 2011 and 2010 include:

	2011	2010
Credits due from publishers	$ 265,442	$ 272,767
Accounts receivable	5,437	7,375
	$ 270,879	$ 280,142

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 a distribution of $35,202 in fiscal 2011 and no distribution in fiscal 2010.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the Western Washington University 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, 2011 and 2010 was $40,552 and $36,497 respectively.

NOTE 5. BUILDINGS, IMPROVEMENTS, AND EQUIPMENT

The depreciation expense for the fiscal years ended June 30, 2011 and 2010 was $48,789 and $60,975, respectively.

Following are the changes in building and equipment for the years ended June 30, 2011 and 2010:

	June 30, 2010	Additions	Retirements	June 30, 2011
Building improvements	$1,867,033	$ -	$ -	$1,867,033
Fixtures and equipment	445,780	-	-	445,780
	2,312,813	-	-	2,312,813
Less accumulated depreciation	(849,483)	(48,789)	-	(898,272)
Building Improvements and Equipment, net	$1,463,330	($48,789)	$ -	$1,414,541

	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
	2,480,538	8,587	(176,312)	2,312,813
Less accumulated depreciation	(964,820)	(60,975)	176,312	(849,483)
Building Improvements and Equipment, net	$1,515,718	($52,388)	$ -	$1,463,330

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. The University contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service. The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

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

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

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

The Bookstore contributed $31,111 and $29,874 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

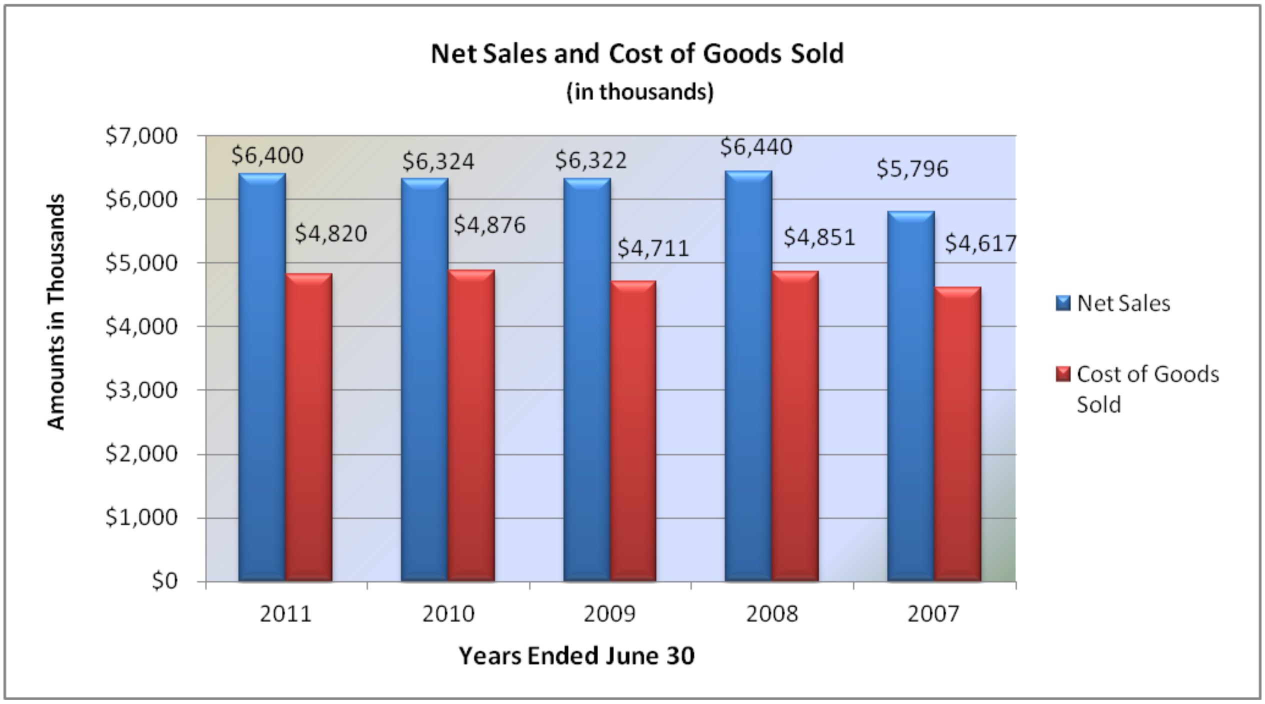
FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET ASSETS
Years ended June 30, 2011, 2010, 2009, 2008, and 2007

Assets	2011	2010	2009	2008	2007
Current assets	$2,238,423	$2,783,788	$2,833,736	$2,407,585	$2,016,320
Non-current assets	518,356	0	24,134	59,977	103,146
Capital Assets	1,414,541	1,463,330	1,515,718	1,645,772	1,776,182
Total assets	4,171,320	4,247,118	4,373,588	4,113,334	3,895,648
Liabilities					
Accounts payable and accruals	89,112	264,371	248,567	220,947	277,058
Due to other WWU departments	75,754	36,497	199,875	157,680	31,993
Total liabilities	164,866	300,868	448,442	378,627	309,051
Total Net Assets	$4,006,454	$3,946,250	$3,925,146	$3,734,707	$3,586,597
Current ratio (current assets/current liabilities)	13.58	9.25	6.32	6.36	6.52
Return on assets (change in net assets/total assets)	1.4%	0.5%	4.4%	3.6%	-5.6%

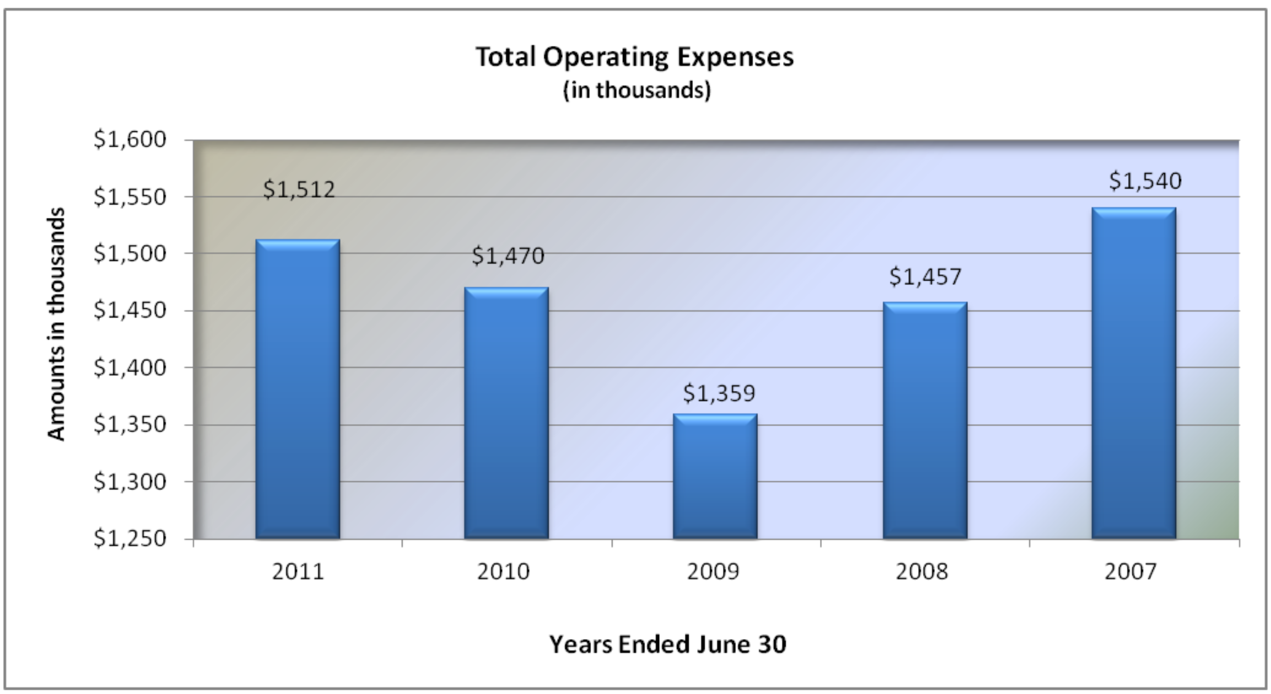
FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2011, 20010 2009, 2008, and 2007

	2011	2010	2009	2008	2007
Net sales	$6,399,545	$6,323,888	$6,321,569	$6,439,936	$5,796,136
Cost of goods sold	4,819,995	4,875,830	4,710,880	4,850,535	4,617,203
Gross profit	1,579,550	1,448,058	1,610,689	1,589,400	1,178,933
Other Operating Revenues	61,686	64,827	70,114	118,298	121,057
Operating expenses					
Salaries and benefits	1,035,613	1,007,525	862,870	981,883	1,036,578
General and administrative expense	244,883	242,046	217,721	191,924	237,107
Facilities expense	89,687	68,758	65,589	68,615	54,757
Depreciation	48,789	60,975	130,054	130,410	130,723
Bank card expense	92,925	91,132	82,437	83,982	80,784
Total operating expense	1,511,897	1,470,436	1,358,671	1,456,814	1,539,949
Income (loss) from operations	129,339	42,449	322,132	250,885	(239,959)
Nonoperating revenues (expenses)					
Investment income	6,619	15,152	38,182	54,905	39,579
Rental income	-	-	-	-	15,500
Distribution from Associated Students of WWU	-	-	30,000	-	-
Distribution to Associated Students of WWU	(35,202)	-	(165,440)	(123,110)	-
Distribution to WWU Athletics Department	(40,552)	(36,497)	(34,435)	(34,570)	(31,993)
Total nonoperating revenues (expenses)	(69,135)	(21,345)	(131,693)	(102,775)	23,086
Increase (decrease) in net assets	$60,204	$21,104	$190,439	$148,110	($216,873)
Gross profit percentage (gross profit/net sales)	24.7%	22.9%	25.5%	24.7%	20.3%

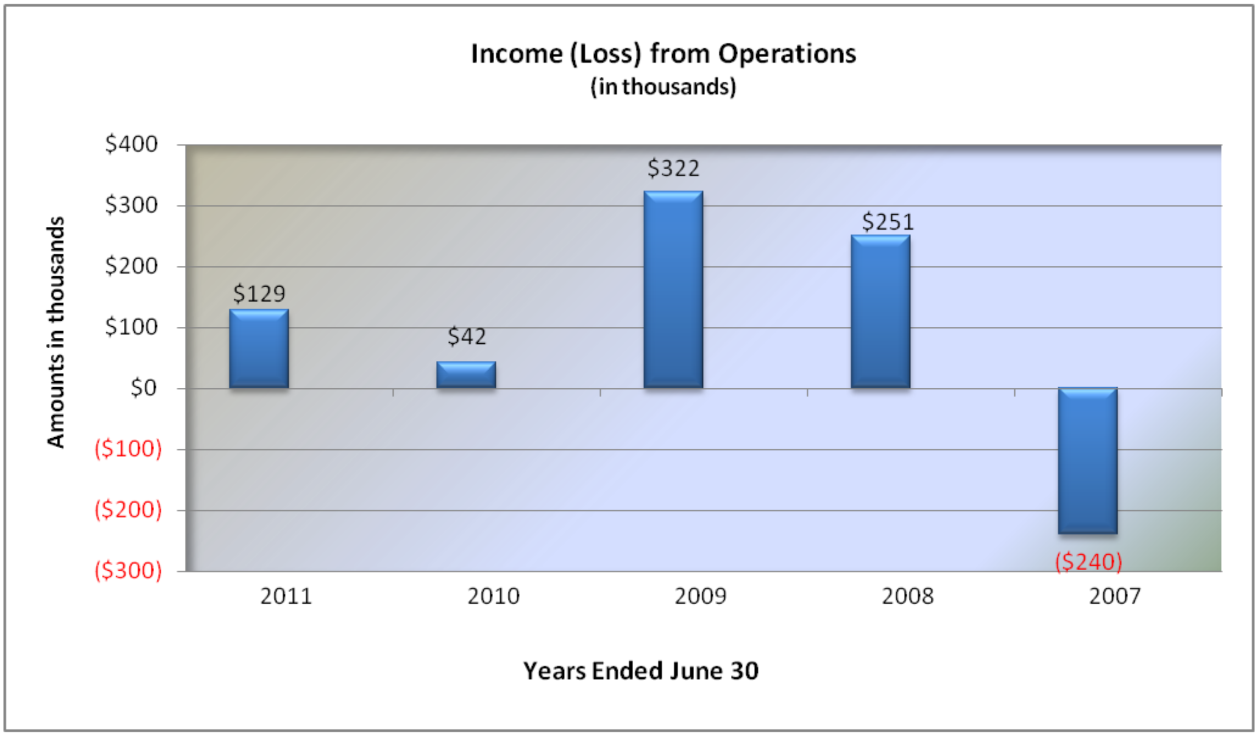
FIVE-YEAR NET SALES AND COST OF GOODS SOLD

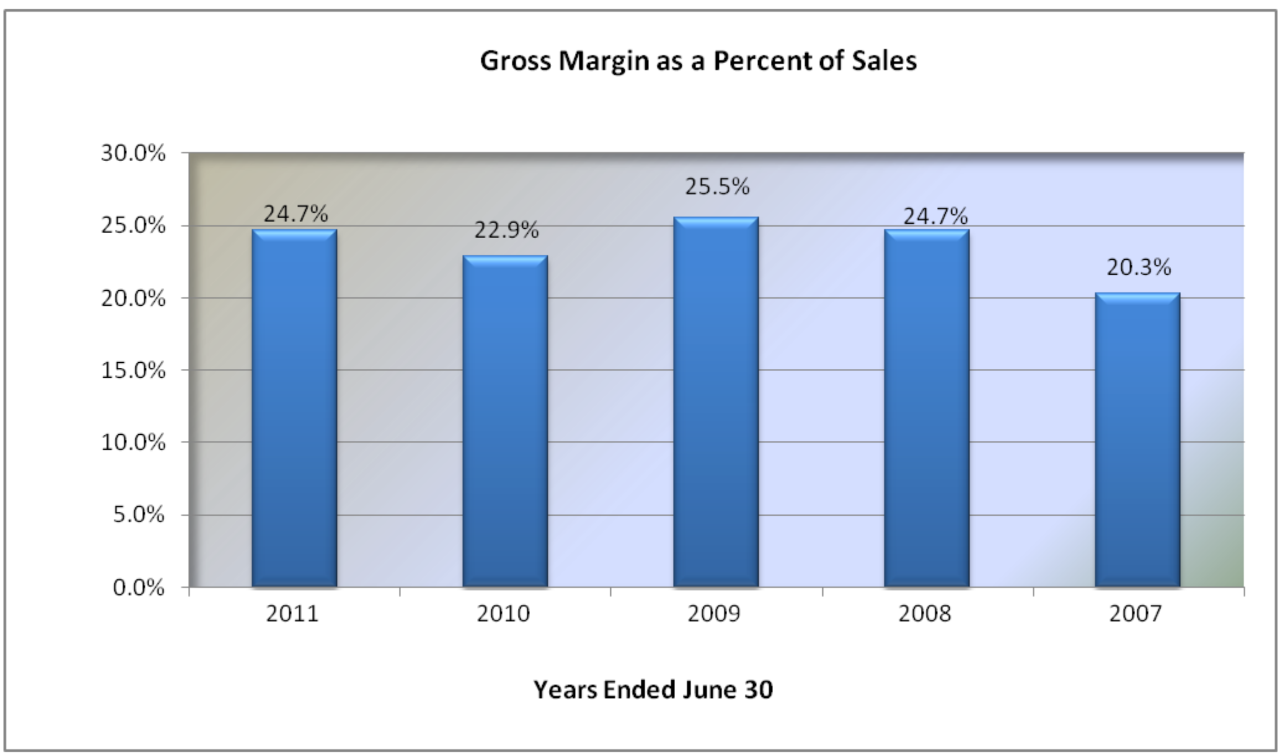


FIVE-YEAR TOTAL OPERATING EXPENSES



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





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