



FINANCIAL STATEMENTS

AND

**REQUIRED SUPPLEMENTAL
INFORMATION**

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November 8, 2011

Dennis Madsen, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Mr. Madsen:

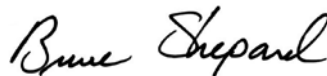
We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of the University are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally 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.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statements for the year ended June 30, 2011. 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 2011 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



Richard Van Den Hul
Vice President for Business and Financial Affairs

BOARD OF TRUSTEES

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Sally McKechnie, Interim Director, Business Services
Michael Ulrich, Interim Director, Accounting Services

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, 2011 and 2010. 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

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. One of the members is a full-time student of the University. The University was established in 1893 and currently has approximately 15,000 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, 2011, 2010 and 2009, follows:

Assets	2011	2010	2009
	<i>(Dollars in thousands)</i>		
Current assets	\$ 61,660	\$ 81,794	\$ 80,418
Noncurrent assets	52,958	34,627	37,433
Capital assets, net	<u>435,638</u>	<u>413,200</u>	<u>384,343</u>
Total assets	550,256	529,621	502,194
Liabilities			
Current liabilities	31,323	36,046	29,881
Noncurrent liabilities	<u>82,020</u>	<u>83,786</u>	<u>86,016</u>
Total liabilities	<u>113,343</u>	<u>119,832</u>	<u>115,897</u>
Total net assets	<u>\$ 436,913</u>	<u>\$ 409,789</u>	<u>\$ 386,297</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. The \$20.1 million (-24.6%) decrease in total current assets during fiscal 2011 compared to fiscal 2010 is primarily due to a reduction in cash and cash equivalents of \$16.2 million, used in fiscal 2011 to purchase investments. Current assets increased by a net \$1.4 million (1.7%) during fiscal 2010 compared to fiscal 2009 due to increased holdings of cash and cash equivalents and an increase in funds held by the Office of the State Treasurer.

Noncurrent assets (excluding capital assets) increased \$18.3 million (52.9%) in fiscal 2011 over fiscal 2010 primarily due to the increase in long-term restricted and unrestricted investments offset by decreases in cash and cash equivalents and the amount due from State Treasurer. The increase in long-term restricted and unrestricted investments was due to purchases of U.S. Treasury and Agency Securities. The change in the amount due from the State Treasurer is attributable to an increase in capital expenditures that occurred at the end of fiscal 2010 with cash requested in fiscal 2011. Restricted cash and cash equivalents decreased \$3.8 million (-54.6%) in fiscal 2011 primarily due to spending \$4.0 million of the remaining amount of the \$14.3 million in Housing and Dining System 2009 revenue bond proceeds. Noncurrent assets (excluding capital assets) decreased \$2.8 million (-7.5%) comparing fiscal 2010 to fiscal 2009, primarily due to spending \$8.3 million of the \$14.3 million in Housing and Dining System revenue bonds issued in 2009, offset by a \$5.1 million (186.2%) increase in the amounts due from the State Treasurer to cover expenditures on the Miller Hall renovation.

Growth in net assets over the last three fiscal years is due to the continuation of the University's capital program. Capital assets grew in fiscal 2011 by \$22.4 million (5.4%) and \$28.9 million (7.5%) comparing fiscal 2010 to fiscal 2009, primarily due to the capitalization of work performed on the Miller Hall renovation and the Buchanan Towers remodel.

Liabilities

The excess of current assets over current liabilities of \$30.3 million in fiscal 2011 and \$45.7 million in fiscal 2010 reflects the continuing ability of the University to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities decreased \$4.7 million (-13.1%) comparing fiscal 2011 to fiscal 2010 due to the payment of capital expenditure invoices recorded at fiscal 2010 year end. The current liabilities increase of \$6.2 million (20.6%) when comparing fiscal 2010 to fiscal 2009 is related to higher invoices at year end in construction project activity, including the Miller Hall renovation (\$3.2 million) and the Buchanan Towers renovation (\$1.8 million). Deferred revenues increased \$826 thousand (15.3%) when comparing fiscal 2011 to fiscal 2010 due to a 14.0% increase in summer session undergraduate tuition and an enrollment increase of over 2.0%. Deferred revenues increased \$698 thousand (14.8%) comparing fiscal 2010 to fiscal 2009 due to an increase of 14.0% in undergraduate summer tuition rates, an increase in summer 2010 enrollment of over 1,000 students and an increase in summer 2010 faculty led travel courses that carry higher fees. The current portion of bonds and notes payable increased slightly by \$150 thousand (4.3%) when comparing fiscal 2011 to fiscal 2010 due to the addition of two State Certificates of Participation to fund equipment purchases in Athletics. The current portion of bonds and notes payable increased \$411 thousand (13.4%) comparing fiscal 2010 to fiscal 2009 as principal payments became due on the 2009 Housing and Dining bond issue during fiscal 2010.

Long-term liabilities decreased \$1.8 million (-2.1%) when comparing fiscal 2011 to fiscal 2010 due to the retirement of \$3.6 million in bonds and notes payable. The \$3.6 million decrease is offset by an increase of \$1.3 million to the unfunded net pension obligation to certain state employees based on the estimated State Actuarial valuation of the plan, combined with the addition of \$450 thousand in new notes payable to fund equipment in the Athletic Department. Long-term liabilities decreased by \$2.2 million (-2.6%) comparing fiscal 2010 to fiscal 2009 due to the retirement of \$3.2 million in bonds and notes payable, offset by an increase of \$923 thousand to the unfunded net pension obligation.

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, 2011, 2010 and 2009 are summarized as follows:

	2011	2010	2009
	<i>(Dollars in thousands)</i>		
Net Assets			
Invested in capital assets, net of related debt	\$ 357,815	\$ 336,630	\$ 312,263
Restricted:			
Nonexpendable	4,629	4,629	4,149
Expendable	24,391	26,321	23,683
Unrestricted	<u>50,078</u>	<u>42,209</u>	<u>46,202</u>
Total net assets	<u>\$ 436,913</u>	<u>\$ 409,789</u>	<u>\$ 386,297</u>

Invested in capital assets, net of related debt increased \$21.2 million (6.3%) when comparing fiscal 2011 to fiscal 2010 due to increases in construction in progress for the Miller Hall and Buchanan Towers renovations, along with a reduction in long-term debt from principal payments. Invested in capital assets, net of related debt increased \$24.4 million (7.8%) comparing fiscal 2010 to fiscal 2009 primarily due to the increase in construction in progress for the Miller Hall and Buchanan Towers renovations, offset by the change in long-term debt.

Restricted nonexpendable net assets include donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. When comparing fiscal 2011 to fiscal 2010, there was no change to restricted nonexpendable net assets as no new additions to endowments were received. During fiscal 2010, \$50 thousand was received to establish a new graduate fellowship compared to the receipt of \$550 thousand during fiscal 2009. When combined with investment gains, the net increase in restricted nonexpendable net assets was \$480 thousand (11.6%).

Restricted expendable net assets decreased \$1.9 million (-7.3%) when comparing fiscal 2011 to fiscal 2010 due to a decrease in funds held by the State Treasurer, offset by increases to student loan funds and grants. Restricted expendable net assets increased \$2.6 million (11.1 %) comparing fiscal 2010 to fiscal 2009 due to an increase in funds held by the State Treasurer. 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 \$7.9 million (18.6%) when comparing fiscal 2011 to fiscal 2010 due to increases in tuition, Housing and Dining capital plan reserves, investment gains on endowments and other program fees. Unrestricted net assets decreased by \$4.0 million (-8.6%) in fiscal 2010 when compared to fiscal 2009, attributable to using unrestricted reserve funds to compensate for reduced state appropriations.

Capital Improvements and Related Debt

During fiscals 2011 and 2010, \$35.8 million and \$40.1 million (excluding library materials and equipment) were expended on capital improvements, compared to \$21.7 million in fiscal 2009. Of the \$35.8 million in capital improvements, \$20.3 million was expended on the Miller Hall building remodel, \$5.2 million on the Buchanan Towers renovations, \$4.4 million on network infrastructure switches and \$1.2 million on the Ridgeway beta renovation. In fiscal 2010, \$40.1 million (excluding library materials and equipment) was expended on capital improvements; \$18.2 million on the Miller hall building remodel, \$9.3 million on the Buchanan Towers renovation, \$3.9 million on the Chemistry Building addition, \$1.2 million on the Fairhaven Fire Sprinkler project, and \$972 thousand on the Haggard Hall/Wilson Library renovation.

Specific projects completed or underway in fiscal 2011 include:

Buchanan Towers Addition. A 105-bed, 37,000 square feet addition is being constructed on the east side of the Buchanan Towers building. The project is designed with principles of day lighting and natural ventilation to achieve a USGBC LEED Silver and possibly Gold rating. The project is scheduled to be completed for Fall 2011 occupancy.

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 during fiscal 2011.

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, 2011, 2010 and 2009 follows:

	2011	2010	2009
	<i>(Dollars in thousands)</i>		
Operating revenues	\$ 167,904	\$ 156,162	\$ 148,913
Operating expenses	<u>244,230</u>	<u>237,989</u>	<u>232,561</u>
Operating loss	(76,326)	(81,827)	(83,648)
State appropriations revenue	63,761	64,621	78,535
Other nonoperating revenues	16,355	13,180	12,566
Nonoperating expenses	<u>(4,061)</u>	<u>(4,156)</u>	<u>(4,470)</u>
(Loss) income before other revenues	(271)	(8,182)	2,983
Other revenues	<u>27,395</u>	<u>31,674</u>	<u>17,952</u>
Increase in net assets	27,124	23,492	20,935
Net assets, beginning of year	<u>409,789</u>	<u>386,297</u>	<u>365,362</u>
Net assets, end of year	<u>\$ 436,913</u>	<u>\$ 409,789</u>	<u>\$ 386,297</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 \$8.5 million (10.7%) and \$6.1 million (8.3%) in fiscal 2011 and fiscal 2010, respectively.

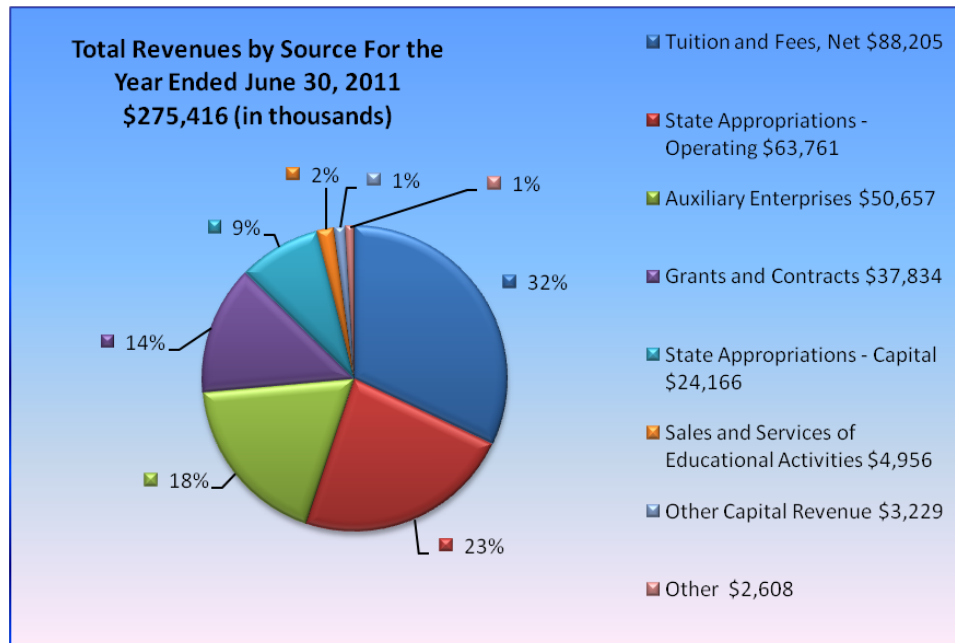
The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The University is free to set tuition at any level in the latter three categories. Tuition increased 14.0% during fiscal 2011 and fiscal 2010 compared to an increase of 5.0% during fiscal 2009, with enrollment increasing to an average annual headcount of 13,521 in fiscal 2011, compared to 13,300 students in fiscal 2010 and 13,240 in fiscal 2009.

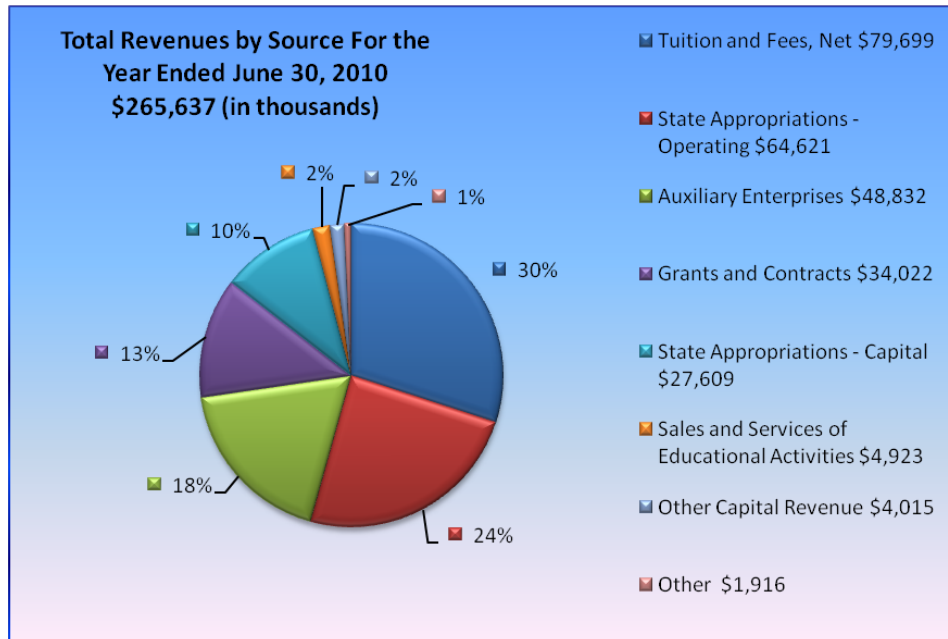
During fiscal 2011, state appropriations used for operations declined by \$861 thousand (-1.3 %) compared to a decrease of \$13.9 million (-17.7%) in fiscal 2010. The fiscal 2011 decrease is attributable to the continuing budget challenges at the state level that resulted in a reduction of \$5.8 million in state appropriations to the University, offset by \$4.9 million in capital appropriation funds that are used to support operations as these expenditures are below the University's capitalization threshold. The majority of the decrease in fiscal 2010 state appropriations is also due to budget challenges at the state level that resulted in a decrease in state funding of \$12.6 million combined with a decrease from the prior year of \$1.3 million in capital appropriation funds that are used to support operations. The University's state supported enrollments (FTE) were 11,762 for fiscal 2011. The actual average FTE was 12,647 (the 885 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. Capital appropriations decreased by \$3.4 million (-12.5%) when comparing fiscal 2011 to fiscal 2010 due to a reduction in capital funds received as some smaller capital projects were completed in fiscal 2010, such as improvements to Wilson Library and Parks Hall. This revenue source increased \$12.8 million (86.1%) during fiscal 2010 compared to fiscal 2009 primarily due to funds received to fund the Miller Hall renovation. No significant new projects were started during fiscal 2009.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund. The decrease of \$785 thousand (-19.6%) when comparing fiscal 2011 to fiscal 2010 is due to reduced investment earnings from the State Treasurer. The increase of \$1.5 million (56.7%) in fiscal 2010 compared to fiscal 2009 is due to additional funds held by the State Treasurer in the Normal School Permanent Fund.

The following graphs illustrate revenues by source for the years ended June 30, 2011 and 2010:

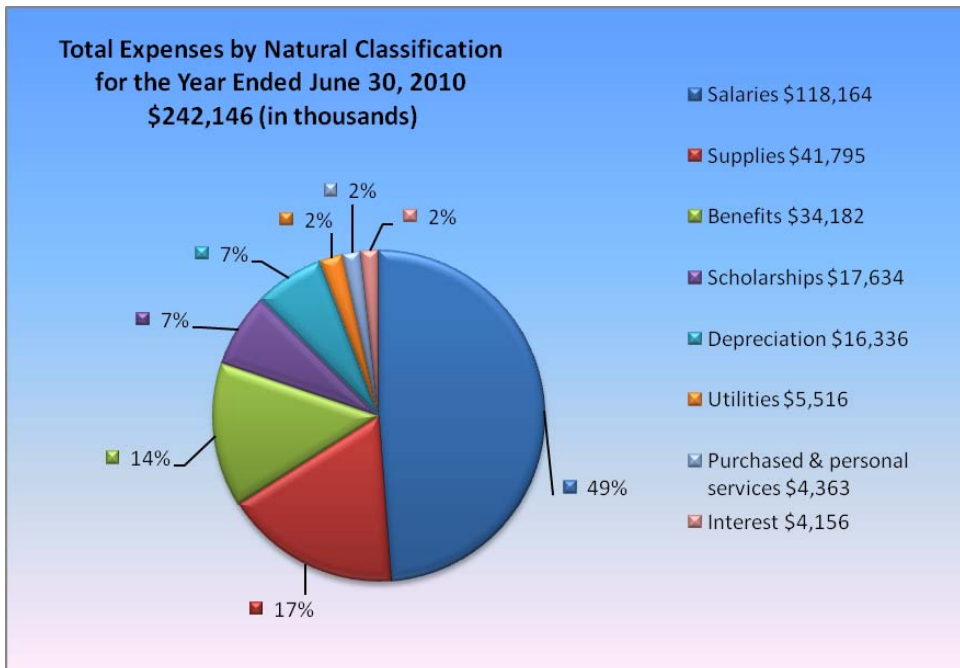
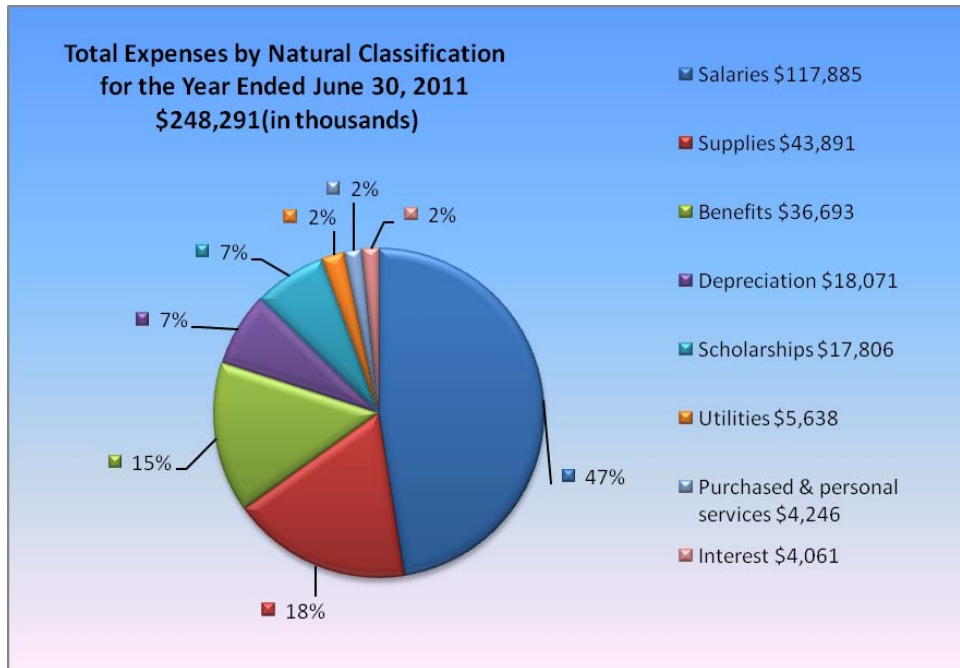




The University's operating expenses increased by \$6.2 million (2.6%) when comparing fiscal 2011 to fiscal 2010 and \$5.4 million (2.3%) in fiscal 2010 compared to fiscal 2009. A significant portion of the fiscal 2011 and fiscal 2010 increases relate to benefits expense, which increased \$2.5 million (7.3%) in fiscal 2011 and \$2.5 million (7.8%) in fiscal 2010 due to a \$105 and \$184 per month increase in the employer cost for the state benefits package in each fiscal year.

Supplies and purchased and personal services increased \$2.0 million (4.3%) when comparing fiscal 2011 to fiscal 2010 due to the purchasing of non-capitalized furnishings and equipment necessary for the Miller Hall and Buchanan Towers buildings. Supplies and purchased and personal services increased slightly by \$96 thousand (0.2%) between fiscal 2010 and fiscal 2009. Depreciation expense increased \$1.7 million (10.6%) over fiscal 2010 and \$1.8 million (12.0%) over fiscal 2009 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2011 and 2010:



Operating Loss

The University's operating losses were \$76.3 million in fiscal 2011, a decrease of \$5.5 million (-6.7%) from fiscal 2010, and \$81.8 million in fiscal 2010, a decrease of \$1.8 million (-2.2%) from fiscal 2009. Overall operating revenues increased \$11.7 million (7.5%) during fiscal 2011 and \$7.2 million (4.9%) during fiscal 2010, while operating expenditures increased in fiscals 2011 and 2010 by \$6.2 million (2.6%) and \$5.4 million (2.3%), respectively.

GASB standards require that State appropriations and Federal Pell grants are classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating gain would be \$1.3 million in fiscal 2011 and the operating loss would have been \$5.7 million in fiscal 2010.

Economic Factors That Will Affect the Future

During the next biennium, State support for operations will average 35% of the University's operating budget, with the balance of the operational requirements relying on tuition increases. Beginning with fiscal 2012, the legislature has provided the Board of Trustees (the Board) with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The legislature defines "tuition" as the tuition operating fee and the capital building fee. The operating fee contributes to the day-to-day operations of the university and supports the University's operating budget plans.

The 2011-2013 operating budget includes tuition increases of 16.0% per year for the biennium, an increase of \$892 per year for resident undergraduate students. The University will also increase non-resident and graduate tuition rates by a similar amount as the resident undergraduate. 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. The State also increased the State Need Grant program to help lower and middle income families.

Approximately 81.0% of the operating budget is committed to compensation-related expenditures. The decrease in state support has resulted in position eliminations that are pending for fiscal 2012, the majority of which are from vacant positions. Reduced revenue projections at the state level may result in further budget reductions in fiscals 2012 and 2013.



**Washington State Auditor
Brian Sonntag**

November 8, 2011

Board of Trustees
Western Washington University
Bellingham, Washington

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Washington University as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. 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 in the accompanying financial statements, is based on the report of the other auditors. The basic financial statements of the University as of June 30, 2010, were audited by other auditors whose report dated November 15, 2010, expressed unqualified opinions on the University's financial statements and discretely presented component unit.

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 and the report of other auditors provide a reasonable basis for our opinions.

INDEPENDENT AUDITOR'S REPORT

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 applicable, cash flows of only that portion of the governmental activities and business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Western Washington University as of June 30, 2011, and the respective changes in financial position and, where applicable, 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 5 through 12, 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

Assets	2011	2010
Current assets:		
Cash and cash equivalents (Note 3)	\$ 34,003,071	\$50,178,923
Restricted cash and cash equivalents (Note 3)	-	430
Investments (Note 4)	16,000,000	18,330,634
Funds with State Treasurer (Note 5)	4,874,701	7,716,564
Interest receivable	557,219	812,792
Accounts receivable, net (Note 6)	4,247,368	2,981,108
Prepaid expenses	603,223	512,721
Inventories (Note 8)	1,374,790	1,261,289
Total current assets	<u>61,660,372</u>	<u>81,794,461</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	3,153,996	6,950,440
Restricted investments (Note 4)	7,607,275	7,761,616
Investments (Note 4)	30,227,617	3,372,253
Due from State Treasurer	3,367,960	7,902,379
Student loans receivable, net (Note 7)	7,709,833	7,692,178
Non-depreciable capital assets (Note 9)	75,803,387	55,652,815
Depreciable capital assets, net (Note 9)	359,834,231	357,547,011
Other assets (Note 1)	890,900	947,644
Total noncurrent assets	<u>488,595,199</u>	<u>447,826,336</u>
Total assets	<u>550,255,571</u>	<u>529,620,797</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	10,661,210	16,540,440
Deposits payable	2,375,317	2,355,911
Deferred revenues	6,227,956	5,402,277
Compensated absences (Note 11)	7,924,797	7,892,235
Current portion of bonds and notes payable (Notes 12,13,15)	3,630,585	3,480,216
Current portion of net pension obligations (Note 15,19)	214,000	195,000
Deposits held in custody for others	288,652	180,371
Total current liabilities	<u>31,322,517</u>	<u>36,046,450</u>
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	78,028,174	81,025,590
Long-term net pension obligations (Note 15,19)	3,991,455	2,759,864
Total Liabilities	<u>113,342,146</u>	<u>119,831,904</u>
Net Assets		
Invested in capital assets, net of related debt	357,814,998	336,630,060
Restricted for:		
Nonexpendable: scholarships and professorships	4,629,007	4,629,007
Expendable:		
Instruction and research	2,948,566	2,469,590
Loans	12,805,253	12,155,933
Capital Projects	8,637,422	11,694,956
Unrestricted	50,078,179	42,209,347
Total net assets	<u>\$436,913,425</u>	<u>\$409,788,893</u>

WESTERN WASHINGTON UNIVERSITY
 FOUNDATION STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	<u>\$1,725,048</u>	<u>\$1,490,178</u>
Investments:		
Operating investment pool	8,609,833	7,326,702
Endowment investment pool		
Externally managed investments	43,621,454	28,413,817
Real estate held for investment, net	2,531,800	2,407,800
Annuity and life income investments	4,426,814	4,158,764
Other	<u>458,757</u>	<u>458,757</u>
Total investments	<u>59,648,658</u>	<u>42,765,840</u>
Receivables:		
Promises to give, net	2,375,289	2,696,403
Other	<u>20,198</u>	<u>327,611</u>
Total receivables	<u>2,395,487</u>	<u>3,024,014</u>
Other assets	<u>34,506</u>	<u>28,891</u>
Total assets	<u>63,803,699</u>	<u>47,308,923</u>
Liabilities		
Accounts payable	140,643	112,995
Due to Western Washington University	277,951	121,163
Annuity and life income obligations	1,296,441	1,304,331
Investments held in trust for		
Western Washington University	9,856,624	-
Contingent obligation to Northwest		
Indian College Foundation	<u>1,058,773</u>	<u>962,809</u>
Total liabilities	<u>12,630,432</u>	<u>2,501,298</u>
Net Assets		
Unrestricted	12,172,122	9,846,966
Temporarily restricted	16,818,546	13,392,949
Permanently restricted	<u>22,182,599</u>	<u>21,567,710</u>
Total net assets	<u>51,173,267</u>	<u>44,807,625</u>
Total Liabilities and Net Assets	<u>\$63,803,699</u>	<u>\$47,308,923</u>

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Student tuition and fees	\$ 106,569,013	\$94,533,107
Less scholarship allowances	<u>(18,363,862)</u>	<u>(14,833,867)</u>
Net student tuition and fees	88,205,151	79,699,240
Federal grants and contracts	8,268,690	6,639,781
State and local grants and contracts	13,319,279	13,953,989
Nongovernmental grants and contracts	2,357,881	1,969,470
Sales and services of educational activities	4,956,121	4,922,961
Interest earned on loans to students	140,522	144,792
Auxiliary enterprises	55,375,031	52,947,114
Less scholarship allowances	<u>(4,718,356)</u>	<u>(4,115,218)</u>
Net auxiliary enterprises	<u>50,656,675</u>	<u>48,831,896</u>
Total operating revenues	167,904,319	156,162,129
Operating Expenses		
Salaries and wages	117,885,280	118,163,753
Benefits	36,692,598	34,181,520
Scholarships and fellowships	17,805,709	17,634,179
Utilities	5,638,304	5,515,941
Supplies and materials	43,890,835	41,794,644
Purchased and personal services	4,246,383	4,362,892
Depreciation	<u>18,070,849</u>	<u>16,336,531</u>
Total operating expenses	<u>244,229,958</u>	<u>237,989,460</u>
Operating loss	(76,325,639)	(81,827,331)
Nonoperating Revenues (Expenses)		
State appropriations	63,760,769	64,621,417
Federal Pell grant revenue	13,887,899	11,458,908
Investment income	775,087	1,188,261
Interest on indebtedness	(4,061,271)	(4,156,297)
Gain (loss) on endowments	1,684,904	516,960
Nonoperating rental property income	<u>7,118</u>	<u>15,490</u>
Total nonoperating revenues (expenses)	<u>76,054,506</u>	<u>73,644,739</u>
(Loss) income before other revenues	(271,133)	(8,182,592)
Other Revenues		
Capital appropriations	24,166,239	27,609,379
Other capital revenue	3,229,426	4,014,907
Gifts to permanent endowments	-	50,000
Total other revenues	<u>27,395,665</u>	<u>31,674,286</u>
Increase in net assets	27,124,532	23,491,694
Net assets, beginning of year	<u>409,788,893</u>	<u>386,297,199</u>
Net assets, end of year	<u>\$ 436,913,425</u>	<u>\$409,788,893</u>

WESTERN WASHINGTON UNIVERSITY

FOUNDATION STATEMENTS OF ACTIVITIES & CHANGES IN
NET ASSETS

June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>
Support and Revenue				
Contribution	\$496,580	\$3,642,647	\$555,360	\$4,694,587
Services and facilities provided by Western Washington University	2,682,678	-	-	2,682,678
Interest and dividends	452,194	551,594	112	1,003,900
Net realized gains (losses) on investments	132	39,243	-	39,375
Net unrealized gains (losses) on investments	1,972,115	4,606,198	1,000	6,579,313
Fund raising events and other	35,788	438,835	-	474,623
Total support and revenue before net assets released from restrictions	5,639,487	9,278,517	556,472	15,474,476
Net assets released from restrictions	5,420,237	(5,420,237)	-	-
Change in restrictions	84,383	(142,800)	58,417	-
Total support and revenue	<u>11,144,107</u>	<u>3,715,480</u>	<u>614,889</u>	<u>15,474,476</u>
Expenses and Change in Valuation of Annuity Obligations				
Program services and grants	5,000,183	-	-	5,000,183
Management and general - WWU in-kind	1,525,786	-	-	1,525,786
Management and general - other	238,931	-	-	238,931
Fund raising - WWU in-kind	1,156,892	-	-	1,156,892
Fund raising	896,035	-	-	896,035
Total expenses	8,817,827	-	-	8,817,827
Change in valuation of annuity obligations	1,124	289,883	-	291,007
Total expenses and change in valuation of annuity obligations	<u>8,818,951</u>	<u>289,883</u>	<u>-</u>	<u>9,108,834</u>
Change in Net Assets	2,325,156	3,425,597	614,889	6,365,642
Net Assets, beginning of year	<u>9,846,966</u>	<u>13,392,949</u>	<u>21,567,710</u>	<u>44,807,625</u>
Net Assets, end of year	<u><u>\$12,172,122</u></u>	<u><u>\$16,818,546</u></u>	<u><u>\$22,182,599</u></u>	<u><u>\$51,173,267</u></u>

WESTERN WASHINGTON UNIVERSITY

FOUNDATION STATEMENTS OF ACTIVITIES & CHANGES IN
NET ASSETS

June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010</u>
Support and Revenue				
Contributions	\$373,327	\$3,238,045	\$1,765,421	\$5,376,793
Services and facilities provided by Western Washington University	2,617,671	-	-	\$2,617,671
Interest and dividends	551,648	420,343	1,002	\$972,993
Net realized gains (losses) on investments	1,227	(32,638)	4	(\$31,407)
Net unrealized gains (losses) on investments	1,926,731	2,028,039	5,143	\$3,959,913
Fund raising events and other	54,716	414,474	300,053	\$769,243
Total support and revenue before net assets released from restrictions	5,525,320	6,068,263	2,071,623	13,665,206
Net assets released from restrictions	3,663,167	(3,663,167)	-	-
Change in restrictions	(79,651)	62,901	16,750	-
Total support and revenue	<u>9,108,836</u>	<u>2,467,997</u>	<u>2,088,373</u>	<u>13,665,206</u>
Expenses and Change in Valuation of Annuity Obligations				
Program services and grants	3,700,171	-	-	3,700,171
Management and general - WWU in-kind	1,268,858	-	-	1,268,858
Management and general - other	206,974	-	-	206,974
Fund raising - WWU in-kind	1,348,813	-	-	1,348,813
Fund raising	261,243	-	-	261,243
Total expenses	6,786,059	-	-	6,786,059
Change in valuation of annuity obligations	312	237,014	-	237,326
Total expenses and change in valuation of annuity obligations	<u>6,786,371</u>	<u>237,014</u>	<u>-</u>	<u>7,023,385</u>
Change in Net Assets	2,322,465	2,230,983	2,088,373	6,641,821
Net Assets, beginning of year	7,524,501	11,161,966	19,479,337	38,165,804
Net Assets, end of year	<u>\$9,846,966</u>	<u>\$13,392,949</u>	<u>\$21,567,710</u>	<u>\$44,807,625</u>

	2011	2010
Cash Flows from Operating Activities		
Tuition and fees	\$88,402,182	\$80,375,582
Grants and contracts	23,527,054	22,846,670
Payments to vendors	(68,466,742)	(70,388,458)
Payments to employees for salaries and benefits	(153,646,109)	(151,671,022)
Loans issued to students	(1,325,722)	(1,328,887)
Collection of loans to students	1,350,172	1,306,216
Sales of auxiliary enterprises	50,680,489	48,893,026
Sales and services of educational activities	4,784,588	4,897,853
Interest received on loans to students	140,522	144,792
Net cash used by operating activities	<u>(54,553,566)</u>	<u>(64,924,228)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	63,760,769	64,621,417
Direct Lending proceeds	66,522,389	60,938,017
Direct Lending disbursements	(66,531,195)	(60,927,005)
Federal Pell grant receipts	13,887,899	11,458,908
Gifts to permanent endowments	-	50,000
Net cash provided by noncapital financing activities	<u>77,639,862</u>	<u>76,141,337</u>
Cash Flows from Investing Activities		
Purchases of investments	(52,910,243)	(19,890,897)
Net proceeds from sales of investments	30,224,758	33,402,898
Interest received on investments	1,022,582	1,603,730
Net cash provided by investing activities	<u>(21,662,903)</u>	<u>15,115,731</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	443,623	150,000
Interest earned on bond proceeds	8,078	44,302
Capital appropriations	28,700,658	22,467,797
Other capital revenue	3,229,426	4,014,907
Proceeds from disposal of capital assets	28,196	28,657
Purchases of capital assets	(46,300,988)	(40,259,571)
Principal paid on capital debt	(3,481,908)	(3,069,460)
Interest paid on capital debt	(4,030,322)	(3,842,789)
Other activities	7,118	15,490
Net cash used by capital and related financing activities	<u>(21,396,119)</u>	<u>(20,450,667)</u>
Net increase in cash and cash equivalents	(19,972,726)	5,882,173
Cash and cash equivalents, beginning of year	<u>57,129,793</u>	<u>51,247,620</u>
Cash and cash equivalents, end of year	<u><u>\$37,157,067</u></u>	<u><u>\$57,129,793</u></u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

	<u>2011</u>	<u>2010</u>
Operating loss	(\$76,325,639)	(\$81,827,331)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	18,070,849	16,336,531
Amortization of bond issuance cost	191,238	176,100
Gain on disposal of fixed assets	(23,291)	(15,291)
Changes in assets and liabilities:		
Funds with the State Treasurer	2,841,863	(1,373,028)
Accounts receivable	(1,266,260)	316,253
Student loans receivable	(17,655)	(71,288)
Inventories	(113,501)	234,530
Prepaid expenses	(90,502)	(204,820)
Accounts payable and accrued expenses	(65,993)	(162,905)
Deferred revenue	825,679	697,589
Student and other deposits	19,406	9,896
Deposits held in custody	117,087	35,964
Compensated absences	32,562	446
Net pension obligation expense	1,250,591	923,126
Net cash used by operating activities	<u>(\$54,553,566)</u>	<u>(\$64,924,228)</u>
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	<u>\$2,399,838</u>	<u>\$8,187,280</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 Board of Directors is self-perpetuating and consists of 31 members. The University has an agreement with the Foundation to design and implement such programs and procedures so as to persuade continuous and special philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, and payroll and purchasing functions. 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) Accounting Standard Codification (ASC) 958-605, *Revenue Recognition*, and ASC 958-205, *Presentation of Financial Statements*.

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. The University has special purpose reports reflecting the net assets, results of operations and cash flows for certain auxiliary units: Housing and Dining System, Wade King Recreational Center, Parking Services and Associated Students 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. The auxiliary unit financial statements can be obtained by contacting Western Washington University at (360) 650-3675.

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, 2009, the University adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This pronouncement includes provisions that all intangible assets not specifically excluded by its scope be classified as capital assets. The University has no additional capital assets resulting from this pronouncement.

On July 1, 2009, the University adopted GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This pronouncement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The University does not have any derivative instruments within the scope of this standard.

On July 1, 2010, the University adopted GASB Statement No. 54, "Fund Balance Reporting and

Governmental Fund Type Definitions". This pronouncement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported. The reported fund balances of the University did not change based on this pronouncement.

On July 1, 2010, the University adopted GASB Statement No. 59, "Financial Instruments Omnibus". This pronouncement improves the consistency of investment measurements that are reported by pension and other postemployment benefit plans. The University financial statements did not change based on 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, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

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 2011 and fiscal 2010, \$142,677 and \$176,208 in construction related interest was capitalized, respectively. 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 following fiscal year.

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 but are included as a component of restricted expendable net assets described below.

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, scholarships and fellowships expenses, depreciation, utilities, and supplies.

Nonoperating revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income. Included in fiscal 2010 are State Appropriations one-time Federal Reinvestment and Recovery Act stimulus funds of \$8.9 million.

Nonoperating expenses

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

Other Revenues

Other revenues include activities that have the characteristics of non-exchange transactions, such as state capital appropriations and gifts to endowments.

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

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

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investment Pool (LGIP).

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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.

At June 30, 2011 and 2010, the carrying amount of cash and cash equivalents is \$37,157,067 and \$57,129,793, respectively. These balances include restricted cash and cash equivalents of \$2,055,907 and \$6,044,593 of unspent Housing and Dining System bond proceeds at June 30, 2011 and 2010, respectively. The carrying amount of cash and cash equivalents approximates the market value.

4. INVESTMENTS

Investments include internally pooled cash operating funds invested in certificates of deposit (CD's) and U.S. Treasury and Agency securities, renewal and

replacement funds, unspent bond proceeds, and University endowment funds.

The certificates of deposit held in the internal investment pool are insured by the (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The University held \$6,000,000 and \$18,650,063 of certificates of deposits in pooled investments at June 30, 2011 and 2010, respectively. U.S. Treasury and Agency securities are rated AAA by Standard & Poor's and Fitch and Aaa by Moody's Investors Service. The University held \$35,000,000 and \$0 of U.S. Treasury and Agency securities in the investment pool at June 30, 2011 and 2010, respectively.

The University separately invests the Housing and Dining System Renewal and Replacement funds. As of June 30, 2011 and 2010, the Renewal and Replacement funds of \$2,977,258 and \$2,812,169 were separately invested in CD's.

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. Effective July, 2011 the university endowment funds are invested in accordance with Western Washington University Foundation policy under the direction of the Foundation Finance Committee.

Endowment funds are comprised of \$5,608,043 in donor restricted and unrestricted and \$4,248,581 in quasi endowments at June 30, 2011 and \$4,623,294 in donor restricted and unrestricted and \$3,377,967 in quasi endowments at June 30, 2010.

Interest Rate Risk

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.

Endowment funds are invested under Endowment Investment Policy guidelines. These guidelines include the primary objective of achieving long-term growth using prudent investing practices and do not limit investment maturities as a means to managing interest rate exposure.

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. The

Endowment Investment Policy limits the endowment investments to no more than 5.0% of the portfolio for a single issuer.

At June 30, 2011, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$ 35,101,160	0.003
Time Certificates of Deposits (CDs)	6,000,000	0.046
U.S. Treasuries	5,000,000	0.006
U.S. Agencies	30,000,000	0.722
WWU Endowment Funds:		
Cash & cash equivalents	100,050	0.003
Fixed income investments:		
U.S. Treasuries	271,759	5.500
U.S. Agencies	279,228	4.040
Other fixed income	1,336,638	n/a
Equity investments	6,332,456	n/a
Real estate	515,882	n/a
Alternative investments	1,020,611	n/a
Other Investments:		
Renewal and Replacement Time CDs	2,977,258	0.030
Bond Proceeds Invested in LGIP	2,055,907	0.003
Miscellaneous	1,010	n/a
TOTAL CASH AND INVESTMENTS	\$ 90,991,959	

At June 30, 2010, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$ 51,085,200	0.003
Time Certificates of Deposits (CDs)	18,650,063	0.145
WWU Endowment Funds:		
Mutual Funds - Money Market	1,011,589	1.353
U.S. Treasuries	1,084,631	5.872
U.S. Agencies	1,247,060	2.759
Equity Securities	4,657,981	n/a
Other Investments:		
Renewal and Replacement Time CDs	2,812,169	0.063
Bond Proceeds Invested in LGIP	6,044,593	0.003
Miscellaneous	1,010	n/a
TOTAL CASH AND INVESTMENTS	\$ 86,594,296	

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 years ending June 30, 2011 and 2010 are \$3,229,426 and \$4,014,907, respectively, which are reported as other capital revenue.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2011 and 2010, the major components of accounts receivable are as follows:

	<u>2011</u>	<u>2010</u>
Student tuition and fees	\$1,736,767	\$1,164,003
Federal, State and private grants and contracts	2,316,255	1,448,921
Auxiliary enterprises and other operating activities	<u>697,270</u>	<u>887,683</u>
Total accounts receivable	4,750,293	3,500,607
Less allowance for doubtful accounts	<u>(502,924)</u>	<u>(519,499)</u>
Accounts receivable, net	<u>\$4,247,368</u>	<u>\$2,981,108</u>

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2011 and 2010, student loans receivable are as follows:

	<u>2011</u>	<u>2010</u>
Federal Perkins student loans	\$8,554,856	\$8,518,653
Other long-term loans	37,203	41,407
Institutional loans	<u>50,817</u>	<u>62,041</u>
Total student loans	8,642,876	8,622,101
Less allowance for doubtful accounts	<u>(933,042)</u>	<u>(929,923)</u>
Student loans receivable, net	<u>\$7,709,833</u>	<u>\$7,692,178</u>

8. INVENTORIES

At June 30, 2011 and 2010, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

Location	<u>Valuation Method</u>	<u>2011</u>	<u>2010</u>
Bookstore	Retail	\$854,084	\$710,393
Central Stores	Average Cost	103,773	138,134
Facilities Maintenance	FIFO	161,570	152,913
Lock Shop	FIFO	128,460	123,816
Other inventory	FIFO	<u>126,904</u>	<u>136,033</u>
Total inventory		<u>\$1,374,790</u>	<u>\$1,261,289</u>

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2011 and 2010 was \$18,070,849 and \$16,336,531, respectively.

Following are the changes in land and capital assets for the year ended June 30, 2011:

	6/30/2010	Additions/ Transfers	Retirements	6/30/2011
Non-depreciable Capital Assets				
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
Construction in progress	42,880,222	20,150,572	-	63,030,794
Total non-depreciable capital assets	\$55,652,815	\$20,150,572	\$ -	\$75,803,387
Depreciable Capital Assets				
Infrastructure	\$53,656,654	\$ -	\$ -	\$53,656,654
Buildings	377,328,309	5,741,144	-	383,069,453
Furniture, fixtures and equipment	27,364,557	3,174,345	323,097	30,215,805
Library materials, art collection	50,909,835	1,959,928	-	52,869,763
Improvements	60,478,233	9,487,557	-	69,965,790
Total depreciable capital assets	569,737,588	20,362,974	323,097	589,777,465
Less Accumulated Depreciation				
Infrastructure	22,078,690	1,378,414	-	23,457,104
Buildings	119,195,893	8,223,624	-	127,419,517
Furniture, fixtures and equipment	19,306,952	2,554,877	318,192	21,543,637
Library materials, art collection	36,477,412	1,826,028	-	38,303,440
Improvements	15,131,630	4,087,907	-	19,219,537
Total accumulated depreciation	212,190,577	18,070,849	318,192	229,943,234
Capital Assets, Net of depreciation	\$357,547,011	\$2,292,125	\$4,905	\$359,834,231

Following are the changes in land and capital assets for the year ended June 30, 2010:

	6/30/2009	Additions/ Transfers	Retirements	6/30/2010
Non-depreciable Capital Assets				
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
Construction in progress	15,241,879	27,638,343		42,880,222
Total non-depreciable capital assets	\$28,014,472	\$27,638,343	\$ -	\$55,652,815
Depreciable Capital Assets				
Infrastructure	\$53,656,654	\$ -	\$ -	\$53,656,654
Buildings	376,526,486	801,823	-	377,328,309
Furniture, fixtures and equipment	38,120,527	2,985,846	13,741,816	27,364,557
Library materials, art collection	48,788,816	2,121,019	-	50,909,835
Improvements	48,818,558	11,659,675	-	60,478,233
Total depreciable capital assets	565,911,041	17,568,363	13,741,816	569,737,588
Less Accumulated Depreciation				
Infrastructure	20,700,230	1,378,460	-	22,078,690
Buildings	110,929,274	8,266,619	-	119,195,893
Furniture, fixtures and equipment	30,680,140	2,355,262	13,728,450	19,306,952
Library materials, art collection	34,830,452	1,646,960	-	36,477,412
Improvements	12,442,400	2,689,230	-	15,131,630
Total accumulated depreciation	209,582,496	16,336,531	13,728,450	212,190,577
Capital Assets, Net of depreciation	\$356,328,545	\$1,231,832	\$13,366	\$357,547,011

10. 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 19th and 20th 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. The University's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2011 and 2010 are \$7,924,797 and \$7,892,235, 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 the University. 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 accounts, are not subject to federal income or social security taxes. During fiscal 2011 and fiscal 2010, \$34,133 and \$77,556, respectively, were 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>
2012	310,586	117,355
2013	249,025	107,843
2014	260,376	99,261
2015	219,463	90,619
2016	197,558	82,504
2017-2021	819,691	302,223
2022-2026	835,000	137,538
2027-2031	190,000	4,275
Total	3,081,699	\$941,618
Plus unamortized premium	20,930	
Total	3,102,629	

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 \$14,010,000 at June 30, 2011, which is reported net of the original issue premium of \$13,833.

Series 2006 Revenue Bonds with an interest rate of 4% and an aggregate face value of \$7,905,000 at June 30, 2011, which is reported net of the original issue premium of \$35,971.

Series 2005 Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50% and an aggregate face value of \$11,485,000 at June 30, 2011, which is reported net of the unamortized original discount and loss on defeasance of \$874,820.

Series 2003 Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65% and an aggregate face value of \$10,850,000 at June 30, 2011, which is reported net of the unamortized original issue discount and loss on defeasance of \$126,716.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of \$11,605,000 at June

30, 2011, which is reported net of the unamortized original issue premium and loss on defeasance of \$281,743?

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 \$24,235,000 at June 30, 2011, which is reported net of the unamortized original issue discount and loss on defeasance of \$300,395.

Advance Refunding

The scheduled liabilities as of June 30, 2011 and 2010 do not include \$11,165,000 and 10,725,000

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 \$790,000 and \$810,000 at June 30, 2011 and 2010, 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
2012	2,680,000	2,783,678	640,000	1,199,750
2013	2,785,000	2,676,712	670,000	1,172,230
2014	2,895,000	2,563,847	700,000	1,142,750
2015	3,025,000	2,443,432	725,000	1,111,250
2016	3,145,000	2,311,835	765,000	1,075,000
2017 -2021	18,025,000	9,179,379	4,440,000	4,761,000
2022-2026	15,705,000	4,848,730	5,655,000	3,536,250
2027 -2031	4,405,000	2,158,550	7,225,000	1,972,750
2032-2034	3,190,000	479,520	3,415,000	258,250
Total	\$55,855,000	\$29,445,683	24,235,000	\$16,229,230
Unamortized premium/(discount)	(33,067)		(249,902)	
Less unamortized loss on defeasance	1,266,542		(50,493)	
Total	\$54,621,525		23,934,605	

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	\$85,300,683	Housing and Dining bonds issued in 1998, 2003, 2005, 2006, 2009	Construction and renovation of student housing projects	2034	84.8%
Student Recreation Center gross revenues	\$40,464,230	Student Recreation Center bonds issued in 2002	Construction of the Student Recreation Center	2033	42.6%

* 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, 2011 and 2010:

	<u>6/30/2010</u>	<u>Additions/ Amortization</u>	<u>Retirements</u>	<u>6/30/2011</u>	<u>Current Portion</u>
Bonds and notes payable					
Revenue and refunding bonds	\$81,581,307	\$169,823	\$3,195,000	\$78,556,130	\$3,320,000
Notes payable	2,924,499	465,038	286,908	3,102,629	310,585
Net pension obligation	<u>2,954,864</u>	<u>1,400,000</u>	<u>149,409</u>	<u>4,205,455</u>	<u>214,000</u>
Total long term liabilities	<u>\$87,460,670</u>	<u>\$2,034,861</u>	<u>\$3,631,317</u>	<u>\$85,864,214</u>	<u>\$3,844,585</u>
	<u>6/30/2009</u>	<u>Additions/ Amortization</u>	<u>Retirements</u>	<u>6/30/2010</u>	<u>Current Portion</u>
Bonds and notes payable					
Revenue and refunding bonds	\$84,210,207	\$176,100	\$2,805,000	\$81,581,307	\$3,195,000
Notes payable	3,038,959	150,000	264,460	2,924,499	285,216
Net pension obligation	<u>2,031,738</u>	<u>1,053,000</u>	<u>129,874</u>	<u>2,954,864</u>	<u>195,000</u>
Total long term liabilities	<u>\$89,280,904</u>	<u>\$1,379,100</u>	<u>\$3,199,334</u>	<u>\$87,460,670</u>	<u>\$3,675,216</u>

16. LEASES

The University finances certain equipment through non-cancelable operating leases. At June 30, 2011, future payments under these operating leases are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2012	\$ 845,249
2013	467,727
2014	362,538
2015	335,316
2016	136,507
2017-2027	<u>408,231</u>
Total minimum lease payments	<u>\$ 2,555,568</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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Operating Expenses		
Instruction	90,067,491	87,127,977
Research	4,861,733	5,066,585
Academic Support	10,925,646	11,295,613
Student Services	16,166,086	16,162,863
Institutional Support	17,585,199	19,415,907
Operation and Maintenance of Plant	45,299,943	38,718,526
Scholarships and other student aid	17,805,709	17,544,179
Auxiliary enterprise expenditures	<u>41,518,151</u>	<u>42,657,810</u>
Total operating expenses	<u>244,229,958</u>	<u>237,989,460</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, 2011 and 2010 is \$33,254,220 and \$34,382,460; the payroll for employees covered by TRS is \$977,518 and \$1,096,647; the payroll covered by WWURP is \$72,672,927 and \$72,402,864; the payroll for LEOFF is \$768,010 and \$654,234, 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 WWURP contributions for the years ending June 30, 2011, and 2010 are as follows:

	2011	2010
Employee	\$5,624,889	\$5,598,912
University	5,612,217	5,595,963

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 2011. The previous evaluation was performed in 2009. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2011 and 2009 was

\$10,035,000 and \$7,287,000, respectively, and is amortized over a 13 year period.

The Annual Required Contribution (ARC) of \$1,400,000 consists of amortization of the UAL (\$810,000), normal cost (or current cost) (\$561,000) 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 \$72,672,927 and \$72,402,684 of the University's payroll were covered under this plan during fiscal 2011 and fiscal 2010, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2011:

Balance as of June 30, 2009	\$2,031,738
Annual Required Contribution FY10	1,053,000
Payments to Beneficiaries FY10	(129,874)
Balance as of June 30, 2010	<u>2,954,864</u>
Annual Required Contribution FY11	1,400,000
Payments to Beneficiaries FY11	(149,409)
Balance as of June 30, 2011	<u>\$4,205,455</u>

PERS, TRS and LEOFF

Plan Description

The 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 la

The required contribution rates expressed as a percentage of current year covered payroll at June 30, 2011 follow:

	<u>Employee</u>	<u>University</u>
PERS		
Plan I	6.00%	5.31%
Plan II	3.90%	5.31%
Plan III	5% - 15%	5.31%
TRS		
Plan I	6.00%	6.14%
Plan II	3.36%	6.14%
Plan III	5% - 15%	6.14%
LEOFF		
Plan II	8.46%	5.24%

The required contributions for the years ending June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
PERS		
Employee	\$1,466,592	\$1,518,542
University	1,738,991	1,794,471
TRS		
Employee	28,122	32,253
University	26,711	32,890
LEOFF		
Employee	65,066	55,337
University	66,202	56,384

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 fiscal 2011, 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, 2011.

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 \$18.7 million for active and retiree health care expenses during fiscal 2011 and \$16.6 million in fiscal 2010.

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, 2011 and 2010 are:

	<u>2011</u>	<u>2010</u>
Operating	\$4,589,201	\$4,599,505
Research	785,125	359,320
Capital projects	<u>14,398,499</u>	<u>33,577,523</u>
Total commitments	<u>\$19,772,825</u>	<u>\$38,536,348</u>

23. JOINT VENTURE

In fiscal 2010, the University participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c) (3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of the University Board of Trustees

appointed by the University Board of Trustees, the President of the University, a member of the Commission of the Port of Bellingham appointed by the Commission of the Port, the Executive Director of the Port of Bellingham, and a fifth board member who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or



educational institutions to become members under such terms and conditions as they determine. The purpose of the joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on the University's Statement of Net Assets.