



ASSOCIATED STUDENTS BOOKSTORE

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

June 30, 2012 and 2011

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, 2012, 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.

Presentation of the Financial Statements

The Bookstore's financial reports include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position 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 Position

The Statements of Net Position 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 position, is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statements of Net Position as of June 30, 2012, 2011 and 2010:

ASSETS	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$2,583,960	\$2,238,423	\$2,783,788
Noncurrent Assets	430,440	518,356	-
Capital Assets, net	<u>1,365,618</u>	<u>1,414,541</u>	<u>1,463,330</u>
Total assets	<u>4,380,018</u>	<u>4,171,320</u>	<u>4,247,118</u>
LIABILITIES			
Current liabilities	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>
Total liabilities	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>
NET POSITION			
Net invested in capital assets, net	1,365,618	1,414,541	1,463,330
Net position, unrestricted	2,690,584	2,591,913	2,482,490
Net position, restricted, expendable	<u>21,000</u>	<u>-</u>	<u>430</u>
Total net position	<u>\$4,077,202</u>	<u>\$4,006,454</u>	<u>\$3,946,250</u>

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The Bookstore's net position increased for the third year in a row. At June 30, 2012, the Bookstore's total net position was \$4,077,202, an increase of \$70,748 (1.8%) from fiscal 2011 and \$60,204 (1.5%) when comparing fiscal 2011 to fiscal 2010.

Current assets increased \$345,537 (15.4%) when comparing fiscal 2012 to fiscal 2011 due to an increase in accounts receivables of \$148,185 (54.7%) and an increase of \$151,739 (19.8%) in unrestricted cash and cash equivalents along with an increase of \$111,519 (32.8%) in current investments. The increase in current investments is due to a change in maturities. The increase in accounts receivable is attributable to the Bookstore allowing students to charge purchases to student accounts. Fiscal 2011 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.

Noncurrent investments decreased \$87,916 (-17.0%) when comparing fiscal 2012 to fiscal 2011 due to changes in maturities. Fiscal 2011 noncurrent investments increased \$518,356 (100.0%) from fiscal 2010 due to the purchase of long-term U.S. Treasury and Agency securities.

Capital assets, net decreased \$48,923 (-3.5%) when comparing fiscal 2012 to fiscal 2011 and decreased by \$48,789 (-3.3%) in fiscal 2011 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 2012 or 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 increased \$137,950 (83.7%) due to an increase of \$124,884 (140.1 %) in accounts payable a result of a change in the timing of textbook purchases and returns. The increase was also affected by an increase of \$10,549 (30.0%) in the annual distribution to the Associated Students of Western Washington (ASWWU) in accordance with the revenue sharing agreement with the ASWWU. The revenue sharing agreement with the ASWWU 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 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. Total current liabilities decreased \$136,002 (-45.2%) in fiscal 2011 from fiscal 2010. The significant decrease 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 ASWWU.

During fiscal 2012, the Bookstore received \$34,000 from the ASWWU for strategic investments such as new software to enable in-store rentals. The remaining amount of \$21,000 is shown as restricted cash and restricted expendable net position. The restricted cash and cash equivalents is to upgrade the Bookstore's PC POS system and to replace computers. The Bookstore spent \$15,148 in restricted assets from the ASWWU 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.

Statements of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statements of Net Position, are detailed in the activity shown in the Statements of Revenues, Expenses, and Changes in Net Position. The statements

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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 and expenses are monies received or expended for which goods and services are not provided. Under GASB reporting principles, investment income is classified as nonoperating revenue.

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Sales, net of discounts	\$6,384,528	\$6,399,545	\$6,323,888
Cost of goods sold	<u>4,858,228</u>	<u>4,819,995</u>	<u>4,875,830</u>
Gross margin	1,526,300	\$1,579,550	\$1,448,058
Other operating revenues	63,929	61,686	64,827
Operating expenses	<u>1,470,465</u>	<u>1,511,897</u>	<u>1,470,436</u>
Income (loss) from operations	119,764	\$129,339	\$42,449
Nonoperating (expenses) revenues	<u>(49,016)</u>	<u>(69,135)</u>	<u>(21,345)</u>
Changes in net position	70,748	\$60,204	\$21,104
Net position, beginning of year	<u>4,006,454</u>	<u>3,946,250</u>	<u>3,925,146</u>
Net position, end of year	<u>\$4,077,202</u>	<u>\$4,006,454</u>	<u>\$3,946,250</u>

Sales net of discounts decreased \$15,017 (-0.2%) from fiscal 2011 and increased \$75,657 (1.2%) in fiscal 2011 from fiscal 2010, reflecting an increasingly competitive industry. Net sales figures are impacted by ratios of new to used books, as well as the growth of digital modalities, textbook rentals and commissionable third party course-book sales via the Bookstore's website.

Cost of goods sold increased \$38,233 (0.8%) from fiscal 2011 and decreased \$55,835 (1.1%) in fiscal 2011 from fiscal 2010. In fiscal 2012 new books sales increased while used book sales decreased resulting in a higher cost of goods. Used books sell for 75% of the new book price but cost less and carry a higher margin. The availability of used books from our suppliers decreased in fiscal 2012 as textbook rentals increased nationwide. Increases in emblematic merchandise sales (which have higher

*ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS*

June 30, 2012 and 2011

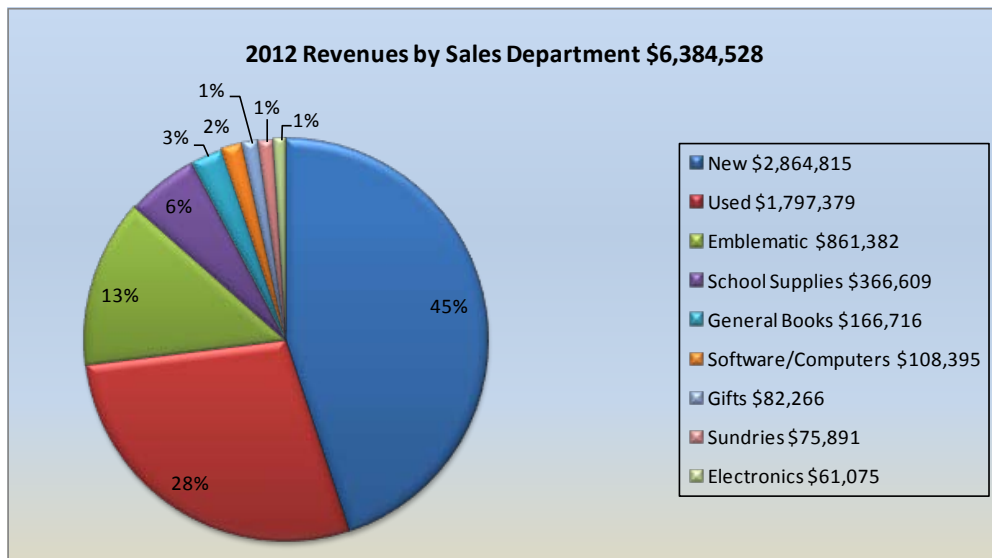
margins than other product lines and therefore a lower cost) helped to decrease the total cost of goods in 2011.

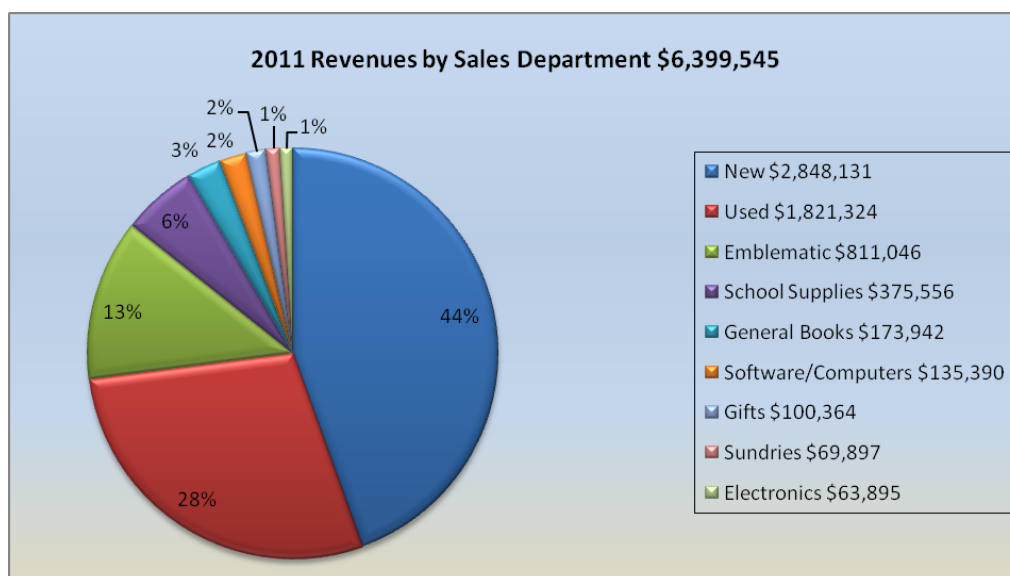
The Bookstore's gross margin decreased \$53,250 (-3.4%) from fiscal 2011 and increased \$131,492 (9.1%) in fiscal 2011 from fiscal 2010. The gross margin percentage for the Bookstore for fiscal 2012 decreased to 23.9% (-0.8%), down from 24.7% in fiscal 2011, which was up from the 22.9% gross margin percentage in fiscal 2010. The Bookstore's gross margin percentage is lower than the average gross margin for bookstores reporting in the Independent College Bookstore Association (ICBA) survey for 2010-2011 of 26.9% because of its textbook 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 new and used textbooks during fiscal 2012 and 2011. This discount represented an approximate reduction of \$500,000 per year 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 ICBA survey to benchmark gross margins with the average of other college bookstores.

Other operating revenue increased \$2,243 (3.6%) from fiscal 2011 and decreased \$3,141 (-4.8%) in fiscal 2011 from fiscal 2010. 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. The increase in fiscal 2012 was due to a \$2,356 refund of an insurance premium from a prior fiscal year.

Nearly three quarters of Bookstore sales are textbook sales. New and used books sales accounted for 73% of total sales in fiscal 2012. This percentage was the same for fiscal 2011, which was down slightly from 73.5% in fiscal 2010. The ICBA 2010-2011 survey indicates that among bookstores reporting, textbook sales are on average 57.3 % of total sales.





Revenues by Sales Department

New book sales continued to increase for the third year in fiscal 2012. They were \$2,864,815 in fiscal 2012, an increase of \$16,684 (0.6%) from \$2,848,131 in fiscal 2011. Fiscal 2011 increased \$156,673 (5.8%) from \$2,691,458 in fiscal 2010. The rate of increase has slowed but the trend is significant. Reasons for this increase include more instructors using custom materials which are only available new and more single-use digital products.

Conversely, used books sales continued to decline for the third straight year. Used book sales in fiscal 2012 were \$1,797,379, down \$23,945 (-1.3%) from \$1,821,324 in fiscal 2011, down \$161,594 (-8.1%) from fiscal 2010 sales of \$1,982,918. Textbook rentals continue to impact the number of used books available from suppliers. In fiscal 2012, the Bookstore offered students increased access to rental books with on-line partners.

Emblematic sales increased for the third straight year. Emblematic sales in fiscal 2012 increased \$50,336 (6.2%) from fiscal 2011. The majority of the increase in fiscal 2012 was the result of Western Washington University's Men's Basketball team winning the NCAA Division II Championship in April 2012. Emblematic sales have a larger margin than the average sale and help keep cost of goods lower while adding to the Bookstore's gross margin. During fiscal 2011, emblematic sales increased by \$81,110 (11.1%) from sales of \$729,936 in fiscal 2010 as a result of strong tee shirt sales as well as increases in emblematic gifts.

School supplies decreased slightly in fiscal 2012 after increasing slightly the prior year. A number of campus departments are going paperless so the sales of file folders and other items are decreasing. During fiscal 2012, school supplies were down \$8,947 (-2.4%) from fiscal 2011 which were up slightly \$6,103 (1.7%) from 2010 sales of \$369,453. The sales increase in fiscal 2011 was due to the addition of more imprinted folders and binders.

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General books sales continued to decline in 2012. General book sales were down \$7,226 (-4.2%) from sales in fiscal 2011 which were down \$1,137 (-.7%) from sales of \$175,079 in fiscal 2010. 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. There was increasing pressure on General book sales with the emergence of better e-readers and the increasing popularity of e-books. ICBA had developed a partnership to help make e-books available in college stores. This partnership was dissolved in early 2012. The Bookstore will continue to work with new partners to provide e-books and other digital media.

Software sales decreased sharply this year, declining for the last three fiscal years. Software sales were \$108,395, down \$26,995 (-19.9%) from sales of \$135,390 in fiscal 2011, which were down \$2,673 (-1.9%) from sales of \$138,063 in fiscal 2010. Microsoft changed their agency plan in the late spring of 2012 to exclude staff from purchases at University pricing. Microsoft reversed this decision in early summer of 2012. The decrease in fiscal 2011 is due to a changing marketplace including more open source software and competition from applications created for portable devices.

Gift sales declined to \$82,266 in fiscal 2012, down \$18,098 (-18.0%) from sales of \$100,364 in fiscal 2011 which were up \$8,092 (8.8%) from fiscal 2010 sales of \$92,272. The Bookstore continues to change the gift selection to put a greater emphasis on imprinted gifts which are accounted for in emblematic sales. The increase in fiscal 2011 was a result of more desirable gift inventory available for sales.

Sundries sales in 2012 increased \$5,994 (8.6%). Sales for fiscal 2011 decreased by \$5,324 (-7.1%) from fiscal 2010 sales of \$75,221. The fiscal 2012 increase was due in part to changes in dining service vendors on campus which kept most of the dining options in the Viking Union closed for the summer of 2011. The fiscal 2011 decline was due to a new dining venue opening in the Wilson Library.

Electronic sales declined for the third straight fiscal year. Electronic sales were \$61,075 in fiscal 2012 down \$2,820 (-4.4%) from sales in fiscal 2011 which decreased \$5,593 (-8.1%) from 2010 sales of \$69,488. Calculator sales continue to be soft and Ethernet cable sales declined as more residence halls provide wireless access to students. Calculator sales decreased 15.1% in fiscal 2011 as more smartphones and other electronic devices have calculators built in.

Expenses by Major Source

Total operating expenses decreased \$41,432 (-2.7%) from fiscal 2011 and increased \$41,461 (2.8%) from fiscal 2010 to fiscal 2011. Salaries and benefits decreased \$51,093 (-4.9%) from fiscal 2011 which increased \$28,088 (2.8%) from fiscal 2010. The salary savings in fiscal 2012 were due to vacancies in the accounting department which went unfilled for a number of months. The most significant increases in fiscal 2011 were in benefits paid to employees, which increased \$105 per employee per month.

General and Administrative expenses increased \$50,380 (20.6%) in fiscal 2012. They increased \$2,837 (1.2%) in fiscal 2011 from \$242,046 in fiscal 2010. A number of factors caused the increase in fiscal 2012: freight charges were up, the administrative assessment fee increased, computers and small

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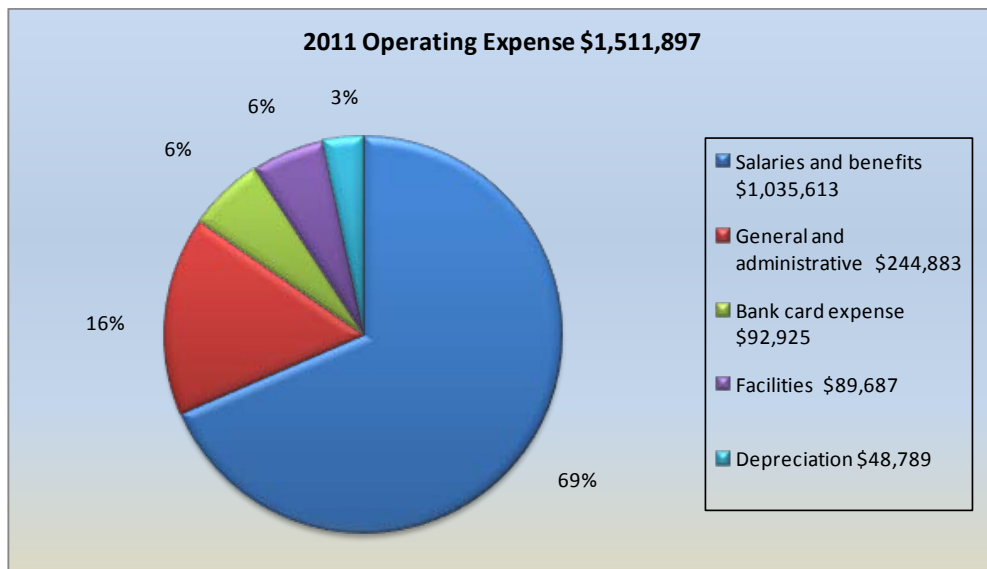
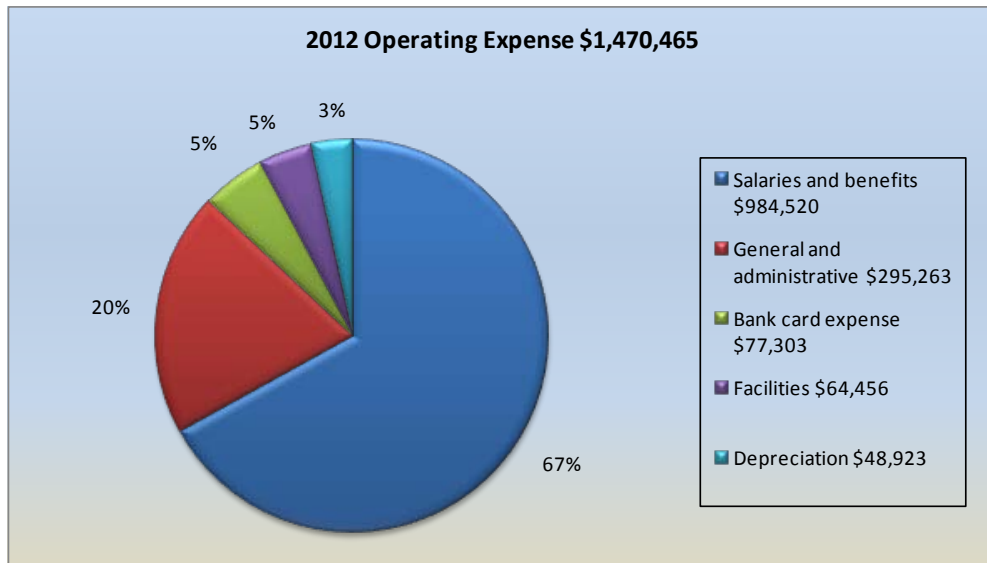
devices such as signature capture machines were replaced. The fiscal 2011 increase was due to an increase of \$16,322 (32.9%) in the university's administrative services charge offset by decreases in other general and administrative expenses.

Bank card expense declined \$15,622 (-16.8%) in fiscal 2012. This expense increased \$1,793 (2.0%) in fiscal 2011 when compared to fiscal 2010. The decline in 2012 was a result of the new program that allows students to charge purchases at the Bookstore to their student account rather than purchase with debit or credit cards whereas the increase in fiscal 2011 was due to increased credit or debit card use.

Facilities expenses in fiscal 2012 decreased \$25,231 (-28.1%) from fiscal 2011 and increased \$20,929 (30.4%) from fiscal 2010 to fiscal 2011. The decrease in fiscal 2012 was due to no significant maintenance projects. The increase in fiscal 2011 was due to funding the resurfacing of the Bookstore roof.

Depreciation expense increased \$134 (0.3%) in fiscal 2012 compared with fiscal 2011. Depreciation in fiscal 2011 decreased \$12,186 (-20.0%) from fiscal 2010, as the 2005 purchase of the PC POS system was fully depreciated in the first half of fiscal 2010. No significant capital assets were added in 2012.

Total nonoperating expenses in fiscal 2012 decreased \$20,119 (-29.1%) from fiscal 2011 which increased \$47,790 (223.9%) from fiscal 2010. Fiscal 2012 nonoperating revenues were comprised of interest income which has decreased significantly since 2010 and a \$34,000 distribution from the ASWWU to the Bookstore. There were no distributions from the ASWWU in 2011 or 2010. Nonoperating expenses are distributions from the Bookstore to the ASWWU as part of the revenue sharing agreement (mentioned earlier) and distributions to the WWU Athletic department. The distribution payable from the Bookstore to the ASWWU was \$45,751 in fiscal 2012, an increase of \$10,549 (30%) from the distribution in fiscal 2011. There was no distribution payable to the ASWWU in fiscal 2010. The distribution payable to Athletics (based on a percent of Emblematic revenues) increased \$2,517 (6.2%) from fiscal 2011, which was an increase of \$4,055 (11.1%) from fiscal 2010.



Economic Factors and Significant Events

Textbook rentals are having an impact on the national market place as more schools bring on rental programs. The National Association of College Stores (NACS) Financial Report for 2012 states that only 6% of stores had rental programs in fiscal 2011 while 68% of stores had some rental program in fiscal 2012. The Bookstore introduced a sell to rent program for spring quarter of 2012 which allowed students to rent books in the store. The Bookstore was able to sell the rental books at the regular retail price to the rental provider. The Bookstore will continue this program during fiscal 2013.

During fiscal 2012, in collaboration with a number of campus departments, we introduced the “Charge It” program that allows a student to purchase up to \$600 of Bookstore merchandise with the charges billed to their student account. This program reduced Bookstore credit card fees and it allows students to purchase course materials before they received their financial aid.

*ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS* June 30, 2012 and 2011

Just prior to spring quarter 2012 the College Store in Sehome Village closed after 17 years. The Bookstore's spring sales increased and bolstered yearly sales so that there was only a slight decrease. Due to this closure, management expects sales to increase during fiscal 2013.



Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

November 9, 2012

Board of Trustees
Western Washington University
Bellingham, Washington

We have audited the accompanying basic financial statements of the Western Washington University Associated Student Bookstore (the Bookstore) as of and for the years ended June 30, 2012 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide 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 Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2012 and 2011, the changes in its financial position or its cash flows for the years 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 Student Bookstore as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Also, as described in Note 1, during the year ended June 30, 2012, the Bookstore has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The 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 Bookstore. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance 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

***ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF NET POSITION***

June 30, 2012 and 2011

Assets	2012	2011
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$918,073	\$766,334
Cash and cash equivalents, restricted	21,000	-
Investments (Note 2)	451,690	340,171
Receivables (Note 3)	419,064	270,879
Inventory	767,989	854,084
Prepaid expense	6,144	6,955
Total current assets	<u>2,583,960</u>	<u>2,238,423</u>
Noncurrent assets		
Investments (Note 2)	430,440	518,356
Capital assets, net (Note 5)	1,365,618	1,414,541
Total noncurrent assets	<u>1,796,058</u>	<u>1,932,897</u>
Total assets	<u>4,380,018</u>	<u>4,171,320</u>
 Liabilities		
Current liabilities		
Accounts payable and accrued expenses	213,996	89,112
Distribution payable to Associated Students of WWU	45,751	35,202
Distribution payable to WWU Athletics Department	43,069	40,552
Total current liabilities	<u>302,816</u>	<u>164,866</u>
 Net Position		
Net investment in capital assets	1,365,618	1,414,541
Unrestricted	2,690,584	2,591,913
Restricted, expendable	21,000	-
Total net position	<u>\$4,077,202</u>	<u>\$4,006,454</u>

ASSOCIATED STUDENTS BOOKSTORE**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Sales, net of discounts	6,384,528	\$6,399,545
Cost of goods sold	4,858,228	4,819,995
Gross margin	1,526,300	1,579,550
Other Operating Revenues	63,929	61,686
Operating Expenses		
Salaries and benefits	984,520	1,035,613
General and administrative expense	295,263	244,883
Facilities expense	64,456	89,687
Depreciation	48,923	48,789
Bank card expense	77,303	92,925
Total operating expenses	1,470,465	1,511,897
Income from operations	119,764	129,339
Nonoperating Revenues (Expenses)		
Investment income	5,804	6,619
Distribution from Associated Students of WWU	34,000	-
Distribution to Associated Students of WWU	(45,751)	(35,202)
Distribution to WWU Athletics Department	(43,069)	(40,552)
Total nonoperating revenues (expenses)	(49,016)	(69,135)
Increase in net position	70,748	60,204
Total Net Position, Beginning of Year	4,006,454	3,946,250
Total Net Position, End of Year	<u>\$4,077,202</u>	<u>\$4,006,454</u>

***ASSOCIATED STUDENTS BOOKSTORE
STATEMENTS OF CASH FLOWS***

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$6,300,272	\$6,470,494
Payments to employees	(988,781)	(1,056,010)
Payments to suppliers	(5,079,199)	(5,550,447)
Net cash provided by operating activities	<u>232,292</u>	<u>(135,963)</u>
 Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	34,000	-
Distribution to WWU Athletics Department	(40,552)	(36,497)
Distribution to Associated Students of WWU	(35,202)	-
Net cash used in noncapital financing activities	<u>(41,754)</u>	<u>(36,497)</u>
 Cash Flows from Investing Activities		
Investment income received	5,804	6,619
Net sales of investments in internal pool	(23,603)	(393,036)
Net cash flows used by investing activities	<u>(17,799)</u>	<u>(386,417)</u>
 Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	-	-
Net cash used in capital and related financing activities	-	-
 Net increase in cash and cash equivalents	172,739	(558,877)
 Cash and cash equivalents, beginning of year	766,334	1,325,211
Cash and cash equivalents, end of year	<u>\$939,073</u>	<u>\$766,334</u>
 Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities		
Income from operations	\$119,764	\$129,339
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	48,923	48,789
Change in operating assets and liabilities		
Receivables	(148,185)	9,263
Accounts payable and accrued expenses	124,884	(175,259)
Prepaid expenses	811	(4,404)
Inventory	86,095	(143,691)
Net cash provided by operating activities	<u>\$232,292</u>	<u>(\$135,963)</u>

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

June 30, 2012 and 2011

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 position, 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 position 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.

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

June 30, 2012 and 2011

Net Position

The Bookstore's net positions are classified as follows:

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

Restricted, expendable. This category represents net position 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. 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 Bookstore's operating cash is part of the University's internal investment pool. The 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 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. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

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.

	2012	Weighted Average Maturity (in years)	2011	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$939,073	n/a	\$766,334	n/a
Investments				
Certificates of deposit	130,114	0.028	125,603	0.046
U.S. Treasury	-	n/a	628,184	5.500
U.S. Agencies	752,016	0.680	104,740	4.000
	<u>\$1,821,203</u>		<u>\$1,624,861</u>	

NOTE 3. RECEIVABLES

Receivables at June 30, 2011 and 2010 include:

	2012	2011
Credits due from publishers	\$357,923	\$265,442
Accounts receivable	61,141	5,437
	<u>\$419,064</u>	<u>\$270,879</u>

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

June 30, 2012 and 2011

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 was extended until June 30, 2013. There was a distribution of \$45,751 in fiscal 2012, and \$35,202 in fiscal 2011.

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, 2012 and 2011 were \$43,069 and \$40,552 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2012 and 2011 was \$48,923 and \$48,789 respectively.

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

	June 30, 2011	Additions	Retirements	June 30, 2012
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	445,780	-	-	445,780
	<u>2,312,813</u>	<u>-</u>	<u>-</u>	<u>2,312,813</u>
Less accumulated depreciation	(898,272)	(48,923)	-	(947,195)
Building Improvements and Equipment, net	<u>\$1,414,541</u>	<u>(\$48,923)</u>	<u>\$ -</u>	<u>\$1,365,618</u>

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

NOTE 6. PENSION PLAN

Bookstore employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. 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 single-employer 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 \$34,992, \$31,111 and \$29,874 to these plans in fiscal 2012, 2011 and 2010, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

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

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SUPPLEMENTAL INFORMATION

***ASSOCIATED STUDENTS BOOKSTORE
SUPPLEMENTAL INFORMATION***

June 30, 2012 and 2011

**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION
Years ended June 30, 2012, 2011, 2010, 2009, and 2008**

Assets	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$2,583,960	\$2,238,423	\$2,783,788	\$2,833,736	\$2,407,585
Non-current assets	430,440	518,356	-	24,134	59,977
Capital Assets	<u>1,365,618</u>	<u>1,414,541</u>	<u>1,463,330</u>	<u>1,515,718</u>	<u>1,645,772</u>
Total assets	<u>4,380,018</u>	<u>4,171,320</u>	<u>4,247,118</u>	<u>4,373,588</u>	<u>4,113,334</u>
Liabilities					
Accounts payable and accruals	213,996	89,112	264,371	248,567	220,947
Due to other WWU departments	<u>88,820</u>	<u>75,754</u>	<u>36,497</u>	<u>199,875</u>	<u>157,680</u>
Total liabilities	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>	<u>448,442</u>	<u>378,627</u>
Total Net Position	<u><u>\$4,077,202</u></u>	<u><u>\$4,006,454</u></u>	<u><u>\$3,946,250</u></u>	<u><u>\$3,925,146</u></u>	<u><u>\$3,734,707</u></u>
Current ratio (current assets/current liabilities)	8.53	13.58	9.25	6.32	6.36
Return on assets (change in net position/total assets)	1.6%	1.4%	0.5%	4.4%	3.6%

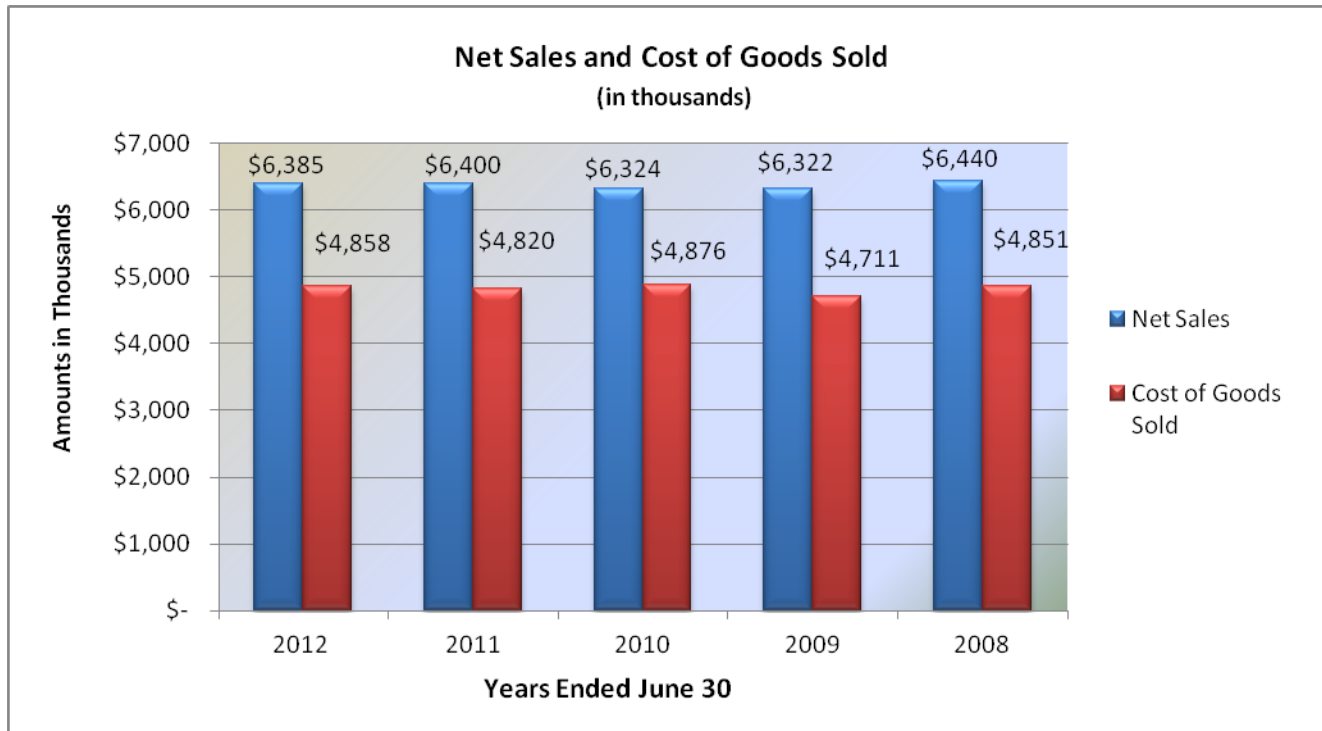
**ASSOCIATED STUDENTS BOOKSTORE
SUPPLEMENTAL INFORMATION**

June 30, 2012 and 2011

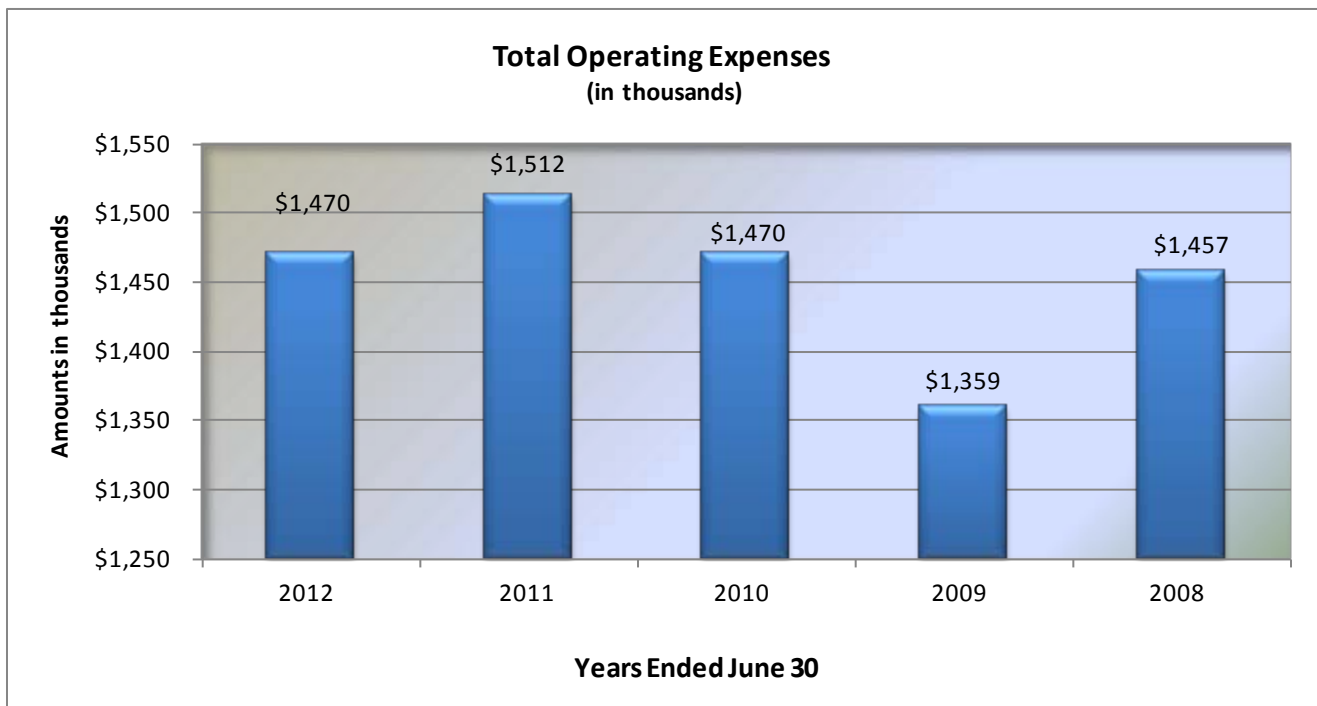
**FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2012, 2011, 2010, 2009, and 2008**

	2012	2011	2010	2009	2008
Net sales	\$6,384,528	\$6,399,545	\$6,323,888	\$6,321,569	\$6,439,936
Cost of goods sold	4,858,228	4,819,995	4,875,830	4,710,880	4,850,535
Gross profit	1,526,300	1,579,550	1,448,058	1,610,689	1,589,400
Other Operating Revenues	63,929	61,686	64,827	70,114	118,298
Operating expenses					
Salaries and benefits	984,520	1,035,613	1,007,525	862,870	981,883
General and administrative expense	295,263	244,883	242,046	217,721	191,924
Facilities expense	64,456	89,687	68,758	65,589	68,615
Depreciation	48,923	48,789	60,975	130,054	130,410
Bank card expense	77,303	92,925	91,132	82,437	83,982
Total operating expense	1,470,465	1,511,897	1,470,436	1,358,671	1,456,814
Income (loss) from operations	119,764	129,339	42,449	322,132	250,885
Nonoperating revenues (expenses)					
Investment income	5,804	6,619	15,152	38,182	54,905
Distribution from Associated Students of WWU	34,000	-	-	30,000	-
Distribution to Associated Students of WWU	(45,751)	(35,202)	-	(165,440)	(123,110)
Distribution to WWU Athletics Department	(43,069)	(40,552)	(36,497)	(34,435)	(34,570)
Total nonoperating revenues (expenses)	(49,016)	(69,135)	(21,345)	(131,693)	(102,775)
Increase (decrease) in net assets	\$70,748	\$60,204	\$21,104	\$190,439	\$148,110
Gross profit percentage (gross profit/net sales)	23.9%	24.7%	22.9%	25.5%	24.7%

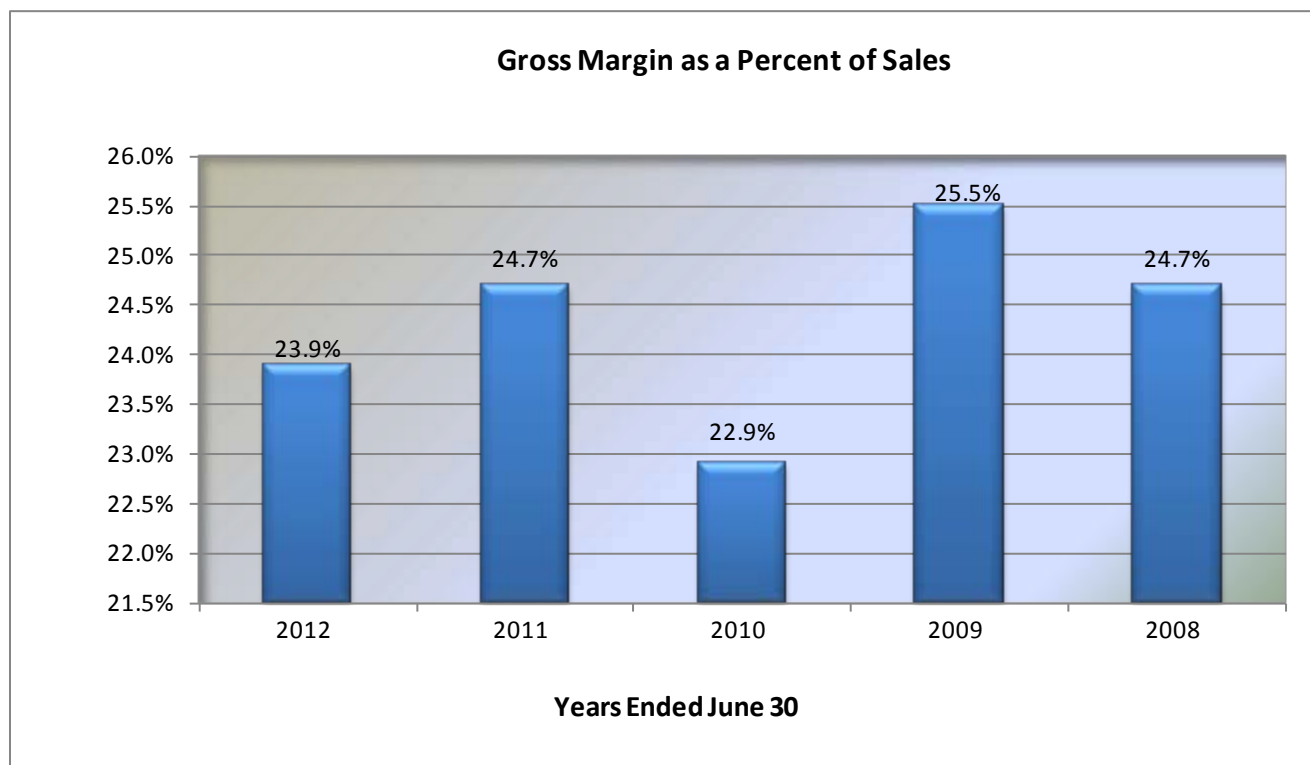
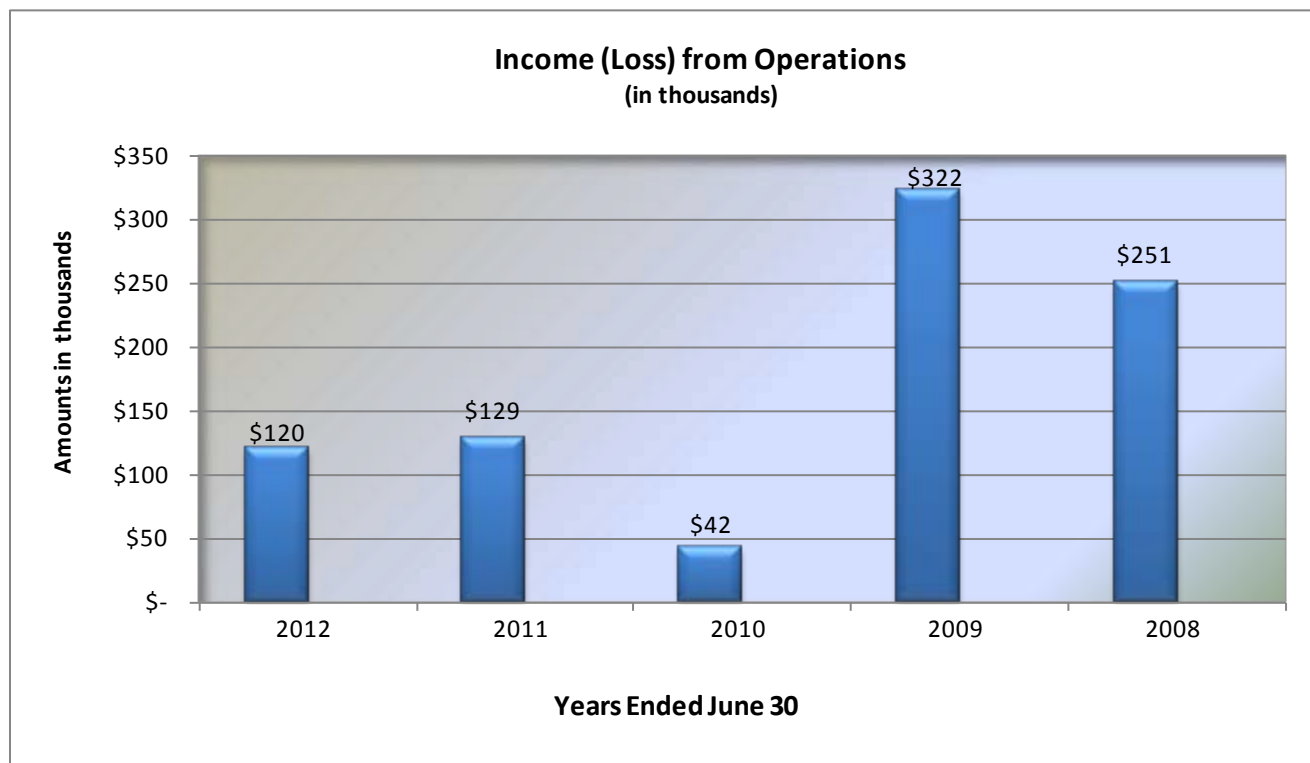
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



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



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