



*ASSOCIATED STUDENTS BOOKSTORE*

**Table of Contents**

<b>Management’s Discussion and Analysis</b> .....	3
<b>Independent Auditors’ Report</b> .....	12
<b>Financial Statements</b>	
Statement of Net Position .....	14
Statement of Revenues, Expenses and Changes in Net Position.....	15
Statement of Cash Flows .....	16
Notes to the Financial Statements.....	17
<b>Supplemental Information</b>	
Five Year Condensed View of Statements of Net Position .....	24
Five Year Statements of Revenues and Expenses .....	25
Five Year Net Sales/Cost of Goods Sold and Five Year Total Operating Expenses .....	26
Five Year Income from Operations and Gross Profit as a Percentage of Sales .....	27

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## **ASSOCIATED STUDENTS BOOKSTORE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*June 30, 2013 and 2012*

#### **Overview**

Western Washington University Associated Students Bookstore (the Bookstore) has served the WWU campus community since 1910. Its purpose is to serve as an academic resource for the campus, integrating itself with the academic community and ensuring the availability of educational materials and related goods and services necessary for student success. The Bookstore aims to accomplish this service mission in an economically responsible manner by applying sound, efficient business practices. The Bookstore is operated in the format of a student cooperative; textbook prices reflect a student discount and net operating revenues support student programs. The Associated Students of Western Washington University manage the net operating revenues and act in partnership with the administration through involvement in the development and recommendation of general policy guidelines.

The following discussion and analysis provides an overview of the financial position and activities of the Bookstore for the years ended June 30, 2013, 2012 and 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

#### **Using the Financial Statements**

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

The statements are prepared in accordance with Governmental Accounting Standard Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial statements are 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.

#### **Statement of Net Position**

The Statement of Net Position presents the financial condition of the Bookstore at the end of the fiscal year and reports 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, 2013, 2012 and 2011:

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

***June 30, 2013 and 2012***

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current Assets	\$2,533,957	\$2,583,960	\$2,238,423
Noncurrent Assets	592,301	430,440	518,356
Capital Assets, net	1,327,887	1,365,618	1,414,541
Total assets	4,454,145	4,380,018	4,171,320
<b>LIABILITIES</b>			
Current liabilities	306,572	302,816	164,866
Total liabilities	306,572	302,816	164,866
<b>NET POSITION</b>			
Net invested in capital assets, net	1,327,887	1,365,618	1,414,541
Net position, unrestricted	2,819,686	2,690,584	2,591,913
Net position, restricted, expendable	-	21,000	-
Total net position	\$4,147,573	\$4,077,202	\$4,006,454

The Bookstore's net position continued to increase in fiscal 2013. At June 30, 2013, the Bookstore's total net position was \$4,147,573, an increase of \$70,371 (1.7%) from fiscal 2012. The net position increase was \$70,748 (1.8%) when comparing fiscal 2012 to fiscal 2011.

Current assets decreased \$50,003 (-1.9%) over fiscal 2012 due to a decrease in accounts receivable and cash and cash equivalents offset by an increase in inventory. Cash and cash equivalents, unrestricted, decreased \$168,329 (-18.3%) due to shifting investment strategy to a larger allocation of longer duration fixed income investments. The timing of textbook returns contributed to the \$28,710 (-6.9%) decrease in accounts receivable in fiscal 2013 over fiscal 2012. The \$21,000 (-100%) decrease in restricted cash and cash equivalents in fiscal 2013 is attributable to spending the remaining fiscal 2012 allocation from the Associated Students of Western Washington (ASWWU) on computer system upgrades. There was no allocation from ASWWU in fiscal 2013. Fiscal 2012 current assets increased \$345,537 (15.4%) from fiscal 2011 due to increases in cash and cash equivalents and investments as a result of maturing investments at fiscal year-end, coupled with an increase in accounts receivable attributable to a new program allowing student purchases to be charged to student accounts.

Noncurrent investments increased \$161,861 (37.6%) when comparing fiscal 2013 to fiscal 2012 due to an increase in long term investments held as a result of shifting to longer duration investments. Fiscal 2012 noncurrent investments decreased \$87,916 (-17.0%) from fiscal 2011 due to maturing investments at fiscal year-end.

Capital assets continued to decrease as existing assets depreciated at a greater rate than new capital assets were acquired. Fiscal 2013 capital assets decreased \$37,731 (-2.8%) over fiscal 2012 which decreased by \$48,923

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

**June 30, 2013 and 2012**

(-3.5%) when compared to fiscal 2011. In fiscal 2013, the Bookstore capitalized the \$13,588 acquisition of Sherpa, a software module used to facilitate textbook rentals in the Sequoia point of sale system (PC POS).

Total current liabilities increased \$3,756 (1.2%) in fiscal 2013 primarily due to an increase in accounts payable and accrued expenses of \$5,112 (2.4%), offset by a \$1,009 (-2.3%) decrease in the annual distribution to the WWU Athletics Department. Total current liabilities increased \$137,950 (83.7%) in fiscal 2012 from fiscal 2011 primarily due to the timing of textbook purchases and returns.

**Statement of Revenues, Expenses and Changes in Net Position**

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The statement presents 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, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Sales, net of discounts	\$6,745,860	\$6,384,528	\$6,399,545
Cost of goods sold	5,217,483	4,858,228	4,819,995
Gross margin	1,528,377	\$1,526,300	\$1,579,550
Other operating revenues	69,114	63,929	61,686
Operating expenses	1,444,707	1,470,465	1,511,897
Income (loss) from operations	152,784	\$119,764	\$129,339
Nonoperating (expenses) revenues	(82,413)	(49,016)	(69,135)
Changes in net position	70,371	\$70,748	\$60,204
Net position, beginning of year	4,077,202	4,006,454	3,946,250
Net position, end of year	<u>\$4,147,573</u>	<u>\$4,077,202</u>	<u>\$4,006,454</u>

Fiscal 2013 sales net of discounts increased \$361,332 (5.7%) from fiscal 2012 primarily due to an increase in sales of new custom textbooks. Growth in classroom use of custom textbooks and digital components, along with growth in third-party textbook rentals and third party course-book sales via the Bookstore's website contributed to the increase in textbook sales. The availability of used textbooks from wholesalers continued to decrease in fiscal 2013 as textbook rentals increased nationwide. Net sales were nearly flat in fiscal 2012 compared to fiscal 2011 decreasing by \$15,017 (-0.2%).

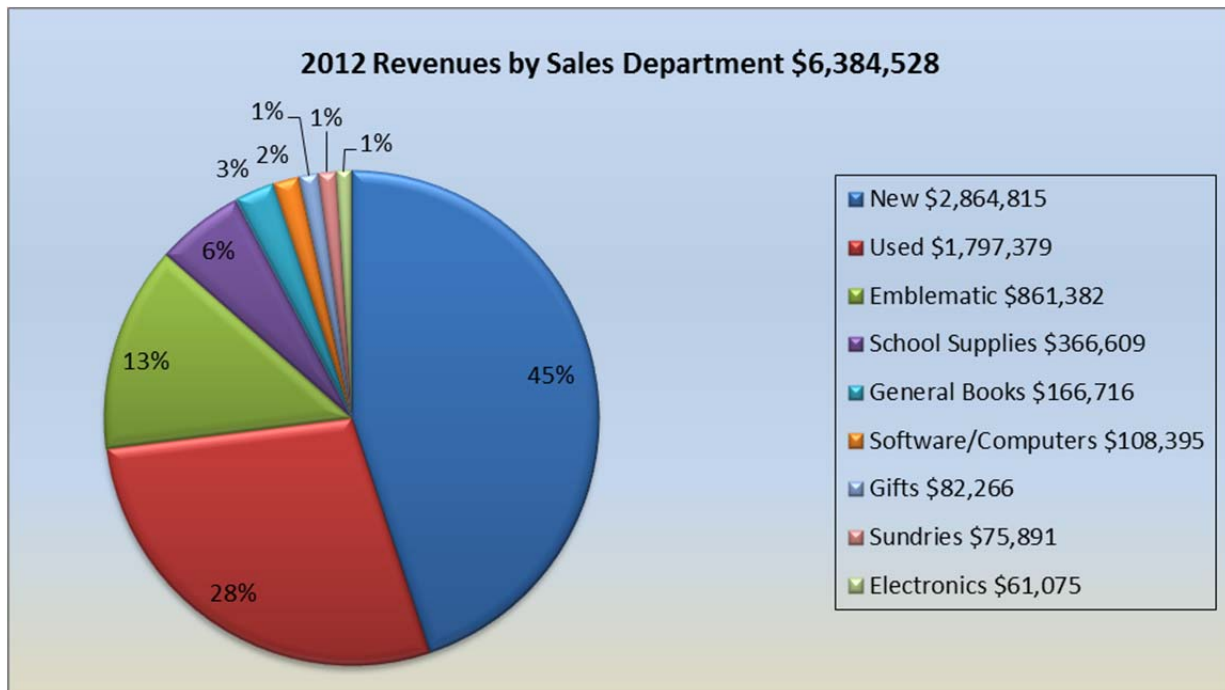
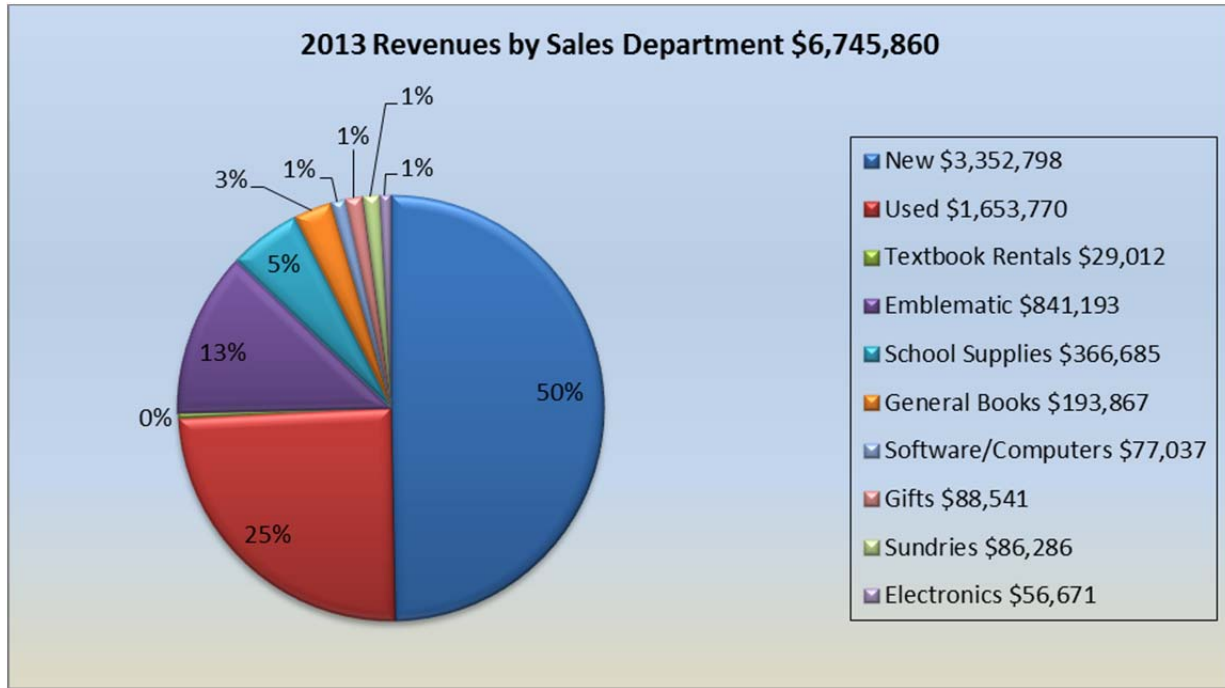
Cost of goods sold increased \$359,255 (7.4%) from fiscal 2012 and increased \$38,233 (0.8%) in fiscal 2012 from fiscal 2011. The continued growth in new textbook sales and decline in used textbook sales contributed to a higher cost of goods sold. New textbook margin percentage for fiscal 2013 was 11.0% (-0.3 %), down from 11.3% in fiscal 2012. Used textbook margin percentage for fiscal 2013 was 29.7% (-0.4%), down from 31.1% in fiscal 2012. In fiscal 2013, the Bookstore also implemented a change in the calculation of cost of goods sold for textbooks. Freight costs of \$34,360 for textbooks returned to publishers and wholesalers were included as a part of textbook cost of goods sold. In past fiscal years, freight costs for textbook returns were included in freight/transport expense a part of the Bookstore's operating expense.

Fiscal 2013 gross margin dollars increased \$2,077 (0.1%) from fiscal 2012 and decreased \$53,250 (-3.4%) in fiscal 2012 from fiscal 2011. The gross margin percentage for fiscal 2013 decreased to 22.7% (-1.2%), down from 23.9% (-0.8%) in fiscal 2012, which was down from 24.7% in fiscal 2011. Gross margin percentage decreased as cost of goods sold increased at a higher rate than net sales increased. The Bookstore's gross margin percentage continued to be lower than the average gross margin percentage for bookstores reporting in the Independent College Bookstore Association (ICBA) survey for 2011-2012 of 26.9%, largely due to the level of textbook discount the Bookstore continues to offer students.

The Bookstore continued its commitment to student success at Western Washington University (WWU). The Bookstore maintained a 10% discount on new and used textbooks during fiscal 2013. This discount represented an approximate reduction of \$550,430 in the cost of textbooks for Western students who purchased their textbooks on campus. In the ICBA survey for 2011-2012, 18.6% of stores surveyed provided a discount on course books. Of those stores offering discounts, the average total value of discounts provided was \$284,702 while average total course book sales for all stores were \$7,626,772.

Other operating revenue increased \$5,185 (8.1%) from fiscal 2012 and increased \$2,243 (3.6%) in fiscal 2012 from fiscal 2011. The majority of this revenue comes from commissions for books purchased from students and sent on to wholesalers. The increase in fiscal 2013 was largely due to an increase in commissions earned on third-party textbooks rentals through the Bookstore's website and an increase in vendor discounts earned.

New and used book sales accounted for 77.1% of total Bookstore sales in fiscal 2013. This percentage was up from 73% in fiscal 2012 which did not change from fiscal 2011. The average for bookstores reporting in the ICBA 2011-2012 survey was 59.5% of total sales.



**Revenues by Sales Department**

Total textbook sales grew to \$5,006,568 in fiscal 2013, an increase of 7.4% from fiscal year 2012 sales of \$4,662,194. Fiscal 2012 total textbook sales were level from fiscal 2011. However, there has been a shift in sales from used to new given the limited availability of used textbooks.

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

***June 30, 2013 and 2012***

New textbook sales continued to grow in fiscal 2013 with sales of \$3,352,798, an increase of \$487,983 (17.0%) from \$2,864,815 in fiscal 2012. Fiscal 2012 increased \$16,684 (0.6%) from \$2,848,131 in fiscal 2011. In fiscal 2013, WWU instructors continued to increase the use of custom materials and the use of single-use digital products.

Used textbooks sales continued to decline in fiscal 2013 with sales of \$1,653,770 down \$143,609 (-8.0%) from \$1,797,379 in fiscal 2012, down \$23,945 (-1.3%) from fiscal 2011 sales of \$1,821,324. In fiscal 2013, used textbooks sales as a percent of total textbook sales decreased to 32.8% (-5.7%) from 38.5% in fiscal 2012. The ICBA 2011-2012 survey average ratio of used coursebook sales to total coursebook sales was 28.8% (-2.1%) a decline from 30.9% in the 2010-2011 survey.

Textbook rentals grew in fiscal 2013 as used textbook sales declined. The Bookstore offered students access to an increasing number of rental titles with on-line and in-store affiliate company Rafter in addition to offering in-store rentals directly from the Bookstore. In fiscal 2013, students rented 2,357 course books from Rafter through the Bookstore web-site. In-store, students rented 966 course books through Rafter and 563 course books directly from the Bookstore.

For the first time in fiscal 2013, the Bookstore offered 17 titles for rental in-store directly from the Bookstore. Fiscal 2013 revenue for the course books rented directly from the Bookstore was \$29,012. The cost of goods sold calculated for direct Bookstore rentals included a mark down to retail inventory value when new textbooks were rented and then moved from new textbook to used textbook inventory. When the Bookstore sold used rental textbooks to students or wholesalers, cost of goods sold was calculated for used textbook sales.

Emblematic sales of \$841,193 decreased \$20,189 (-2.3%) from \$861,382 in fiscal 2012. Emblematic sales increased \$50,336 (6.2%) in fiscal 2012 from \$811,046 in fiscal 2011. A major factor in the emblematic sales decrease during fiscal 2013 and sales increase during fiscal 2012 was the March 24, 2012 WWU Men's Basketball team's NCAA Division II Championship.

School supplies sales were essentially flat in fiscal 2013 at \$366,685 with a \$76 increase over fiscal 2012 sales of \$366,609. In fiscal 2012 school supplies were down \$8,947 (-2.4%) from sales of \$375,556 in fiscal 2011. The fiscal 2012 sales decrease reflected a campus trend to reduce the use of paper products.

General books sales of \$193,867 increased \$27,151 (16.3%) from fiscal 2012 sales of \$166,716. Fiscal 2013 sales were boosted by the implementation of a new strategy in the sale of general book quick study guides. The Bookstore started recommending and selling quick study guides on the Bookstore's website along with required course materials. The Bookstore also continued programs such as local author readings which helped the Bookstore benefit from the national trend to buy local. General book sales were down in fiscal 2012 by \$7,226 (-4.2%) from \$173,942 sales in fiscal 2011. Improvements in electronic reading devices continue to impact a national decline in traditional general book sales. The Bookstore continues to seek partnerships to provide e-books and other digital media to students.

Software sales decreased sharply for a second year to \$77,037, down \$31,358 (-28.9%) from sales of \$108,395 in fiscal 2012, down \$26,995 (-19.9%) from sales of \$135,390 in fiscal 2011. In the fall quarter of 2012, Microsoft began offering students free on-line access to Microsoft software. Software sales will continue to be impacted as companies such as Microsoft and Adobe continue to change their sales and marketing strategies for software. These products have a low margin so decreases in sales have minimal effect on the Bookstore's net revenue.



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

***June 30, 2013 and 2012***

Gift sales of \$88,541 increased \$6,275 (7.6%) in fiscal 2013 up from \$82,266 in fiscal 2012, down \$18,098 (-18.0%) from \$100,364 in fiscal 2011. Gift sales increased as a result of growth in sales of non-emblematic drink ware, scarves and headwear.

Sundries sales increased for a second year with sales of \$86,286 up \$10,395 (13.7%) from \$75,891 in fiscal 2012, up \$5,994 (8.6%) from sales of \$69,897 in fiscal 2011. Sundries sales increased as a result of efforts to increase variety of merchandise and to update in-store marketing.

Electronic sales continued to decline with sales of \$56,671 in fiscal 2013, a decrease of \$4,404 (-7.2%) from \$61,075 in fiscal 2012, a decrease of \$2,820 (-4.4%) from sales in fiscal 2011. Calculator sales continued to be down with other small electronic devices such as ear buds not replacing calculator sales revenue.

**Expenses by Major Source**

Total operating expenses decreased \$25,758 (-1.8%) from fiscal 2012, largely due to a \$34,360 reduction from shifting freight costs to cost of goods sold in fiscal 2013. Total operating expenses decreased \$41,432 (-2.7%) from fiscal 2011 to fiscal 2012.

Salaries and benefits increased \$18,605 (1.9%) from fiscal 2012 which decreased \$51,093 (-4.9%) from fiscal 2011. The salary increase in fiscal 2013 and concurrent savings in fiscal 2012 were due in part to vacancies in the accounting department that were filled in fiscal 2013. An increase in retirement benefits paid in fiscal 2013 included a one-time lump sum of approximately \$11,875 paid for past accumulated retirement benefits earned in previous fiscal years.

General and Administrative expenses decreased \$39,043 (-13.2%) in fiscal 2013 largely due to the fiscal 2013 change that expensed freight costs for textbook returns in cost of goods sold instead of including these freight costs in freight/transportation expense. General and Administrative expenses increased \$50,380 (20.6%) in fiscal 2012 from fiscal 2011. The increase was affected by increases in both freight charges and university administrative assessment fees.

Bank card expense declined for a second year in fiscal 2013. Bank card expenses decreased \$6,875 (-8.9%) in fiscal 2013 and decreased \$15,622 (-16.8%) in fiscal 2012. Bank card charges declined in fiscal 2012 and continued to decline in fiscal 2013 as a result of students charging Bookstore purchases to their student accounts. In fiscal 2013, the Bookstore also started processing all bank card transactions as credit transactions and stopped using the pin debit option lowering card swipe fees.

Facilities expenses decreased \$841 (-1.3%) in fiscal 2013 from fiscal 2012. Significant maintenance projects completed in fiscal 2011 resulted in a \$25,231 (-28.1%) decrease in fiscal 2012 from fiscal 2011.

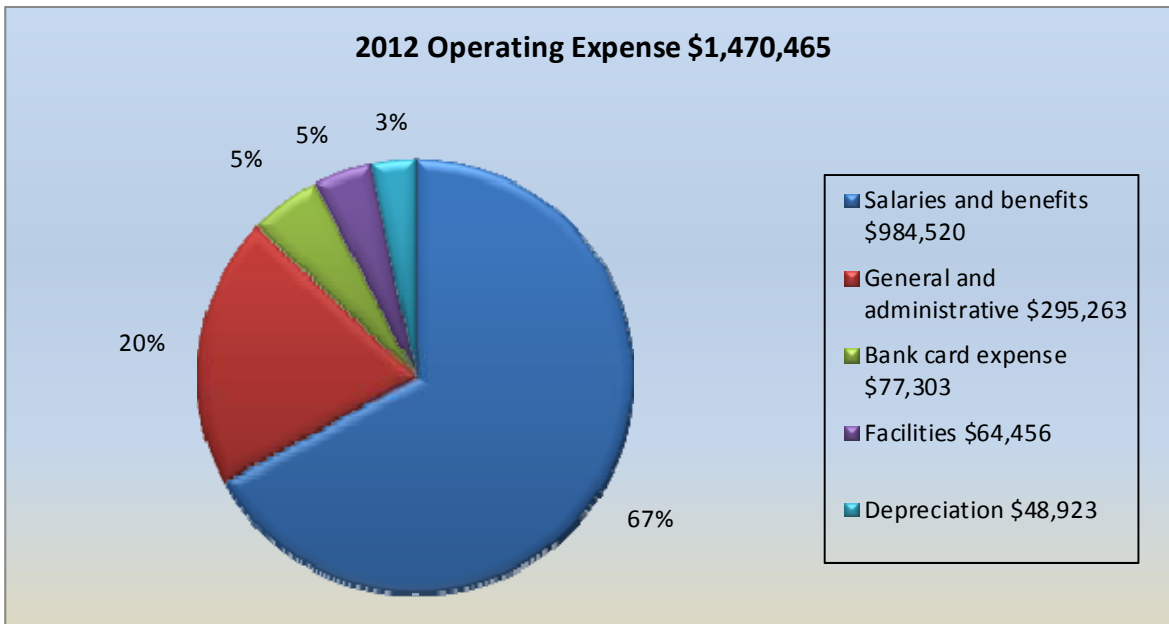
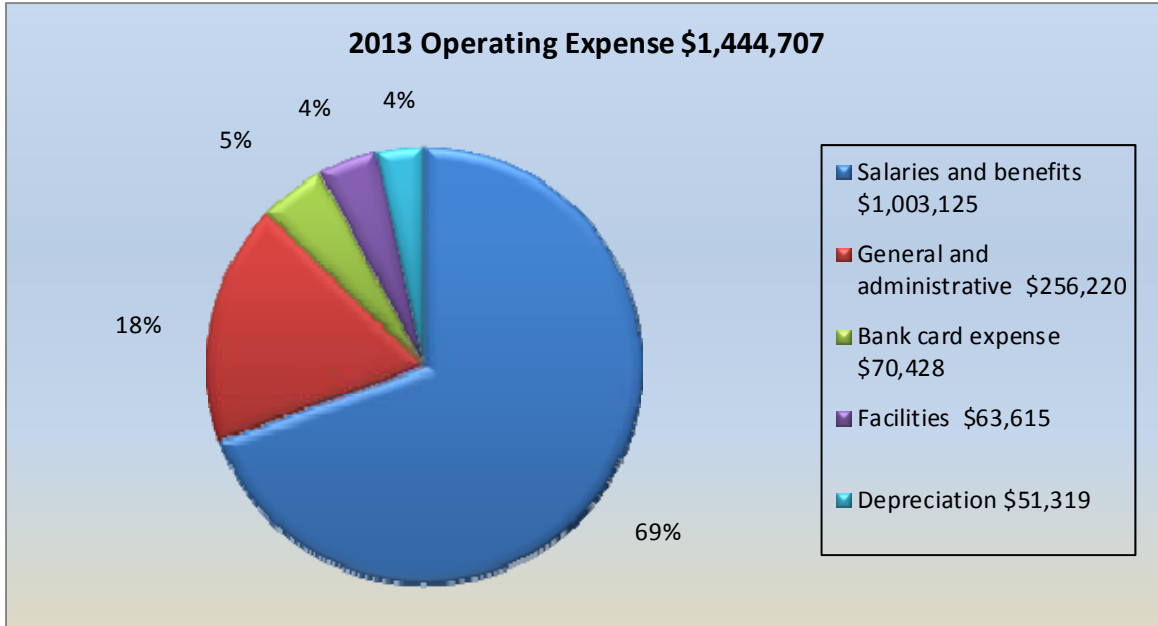
Depreciation expense increased \$2,396 (4.9%) in fiscal 2013 compared to fiscal 2012 as a result of the Bookstore's acquisition of depreciable software. Depreciation increased \$134 (0.3%) in fiscal 2012 compared with fiscal 2011 as no new depreciable assets were acquired in fiscal 2012.

Total nonoperating expenses in fiscal 2013 increased \$33,397 (68.1%) from fiscal 2012, as there was no distribution from the ASWWU to the Bookstore in fiscal 2013 compared to \$34,000 in fiscal 2012. Total nonoperating expenses in fiscal 2012 decreased \$20,119 (-29.1%) due primarily to the fiscal 2012 \$34,000 distribution from the ASWWU, compared to no distribution in fiscal 2011. Nonoperating expenses include distributions from the Bookstore to the ASWWU as part of a revenue sharing agreement along with

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

*June 30, 2013 and 2012*

distributions to Athletics based on emblematic sales. Total distributions payable from the Bookstore decreased \$1,356 (-1.5%) in fiscal 2013 and increased by \$13,066 (17.2%) in fiscal 2012 from fiscal 2011.



**Economic Factors and Significant Events**

Textbook rentals continue to impact the national marketplace as more schools offered textbook rental programs. In an August 29, 2013 newspaper article, a spokesman for National Association of College Stores (NACS) stated that the number of associated member stores offering rentals had jumped to nearly 3,000 from 300 in the fall of 2009. In the fall quarter of fiscal 2013, the Bookstore began offering its own in-store Bookstore rentals in addition to third party online and in-store rentals. Students could rent textbooks directly from the Bookstore and return the textbooks to the Bookstore at the end of the quarter.

In winter quarter of 2013, the Bookstore continued the sell to rent program with affiliate Rafter. In a sell to rent transaction, a student rents an in-store course book from Rafter. In the sell to rent transaction, the Bookstore sells the rental course book to Rafter at regular retail price. In-store, students rented 259 unique Rafter rental titles for fiscal 2013.

The "Charge It" program introduced in fiscal 2012 allows a student to charge up to \$600 per quarter of Bookstore purchases to their student account. The program grew in fiscal 2013 and continued to reduce Bookstore credit card fees. The program supports student success by allowing students to purchase course materials before they receive their financial aid disbursements.

In fiscal 2013, students charged \$2,096,559 of Bookstore purchases to their student accounts an increase of \$935,024 (80.5%) from \$1,161,535 charged in fiscal 2012. The amounts charged to student accounts were 31.1% and 18.2% of fiscal 2013 and 2012 total sales, respectively. The "Charge It" program got a late start for the fall quarter of fiscal 2012 and students were more familiar with the program by fiscal 2013. Still the increase in Bookstore purchases charged to student accounts reflects a substantial increase in student use of this popular program.

Bookstore on-line sales reflected current cultural trends in shopping. In fiscal 2013, WWU students demonstrated a growing preference for shopping on-line. In fiscal 2013, on-line textbook sales reached \$1,785,459 (35.7% of all textbook sales) up \$504,739 (39.4%) from \$1,280,720 (27.5% of all textbook sales) in fiscal 2012 which was up \$530,575 (70.7%) from \$750,145 (16.1% of all textbook sales) in fiscal 2011. Beginning in the winter quarter of fiscal 2011, the Bookstore changed its on-line order policy for the first time allowing students to order textbooks on-line throughout the quarter without a deadline. Students responded to the on-line shopping opportunity and on-line sales have grown robustly in the corresponding fiscal years.



## Washington State Auditor Troy Kelley

### INDEPENDENT AUDITOR'S REPORT

November 15, 2013

Board of Trustees  
Western Washington University Associated Student Bookstore  
Bellingham, Washington

#### ***REPORT ON FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the Western Washington University Associated Student Bookstore (the Bookstore), Whatcom County, Washington, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Bookstore's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bookstore's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bookstore's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As discussed in Note 1, the financial statements of Western Washington University Associated Student Bookstore are intended to present the financial position, 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, 2013 and 2012, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

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, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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 our audit 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.

#### ***Supplementary and Other Information***

The information identified in the table of contents as Supplemental 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 audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,



**TROY KELLEY**  
STATE AUDITOR

**ASSOCIATED STUDENTS BOOKSTORE**  
**STATEMENT OF NET POSITION**

*June 30, 2013 and 2012*

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$749,744	\$918,073
Cash and cash equivalents, restricted	-	21,000
Investments (Note 2)	445,919	451,690
Receivables, net of allowance of \$6,903 in 2013 and \$682 in 2012 (Note 3)	390,354	419,064
Inventory	941,848	767,989
Prepaid expense	6,092	6,144
Total current assets	<u>2,533,957</u>	<u>2,583,960</u>
Noncurrent assets		
Investments (Note 2)	592,301	430,440
Capital assets, net (Note 5)	1,327,887	1,365,618
Total noncurrent assets	<u>1,920,188</u>	<u>1,796,058</u>
Total assets	<u>4,454,145</u>	<u>4,380,018</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	219,108	213,996
Distribution payable to Associated Students of WWU	45,404	45,751
Distribution payable to WWU Athletics Department	42,060	43,069
Total current liabilities	<u>306,572</u>	<u>302,816</u>
 <b>Net Position</b>		
Net investment in capital assets	1,327,887	1,365,618
Unrestricted	2,819,686	2,690,584
Restricted, expendable	-	21,000
Total net position	<u>\$4,147,573</u>	<u>\$4,077,202</u>

**ASSOCIATED STUDENTS BOOKSTORE****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Sales, net of discounts	6,745,860	\$6,384,528
Cost of goods sold	<u>5,217,483</u>	<u>4,858,228</u>
Gross margin	1,528,377	1,526,300
<b>Other Operating Revenues</b>	69,114	63,929
<b>Operating Expenses</b>		
Salaries and benefits	1,003,125	984,520
General and administrative expense	256,220	295,263
Facilities expense	63,615	64,456
Depreciation	51,319	48,923
Bank card expense	<u>70,428</u>	<u>77,303</u>
Total operating expenses	<u>1,444,707</u>	<u>1,470,465</u>
Income from operations	152,784	119,764
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	5,051	5,804
Distribution from Associated Students of WWU	-	34,000
Distribution to Associated Students of WWU	(45,404)	(45,751)
Distribution to WWU Athletics Department	<u>(42,060)</u>	<u>(43,069)</u>
Total nonoperating revenues (expenses)	<u>(82,413)</u>	<u>(49,016)</u>
Increase in net position	70,371	70,748
<b>Total Net Position, Beginning of Year</b>	<u>4,077,202</u>	<u>4,006,454</u>
<b>Total Net Position, End of Year</b>	<u><u>\$4,147,573</u></u>	<u><u>\$4,077,202</u></u>

***ASSOCIATED STUDENTS BOOKSTORE  
STATEMENT OF CASH FLOWS***

***June 30, 2013 and 2012***

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from students and other customers	\$6,843,684	\$6,300,272
Payments to employees	(1,005,070)	(988,781)
Payments to suppliers	(5,774,496)	(5,079,199)
Net cash provided by operating activities	<u>64,118</u>	<u>232,292</u>
 <b>Cash Flows from Noncapital Financing Activities</b>		
Distribution from Associated Students of WWU	-	34,000
Distribution to WWU Athletics Department	(43,069)	(40,552)
Distribution to Associated Students of WWU	(45,751)	(35,202)
Net cash used in noncapital financing activities	<u>(88,820)</u>	<u>(41,754)</u>
 <b>Cash Flows from Investing Activities</b>		
Investment income received	5,051	5,804
Net sales of investments in internal pool	(156,090)	(23,603)
Net cash flows used by investing activities	<u>(151,039)</u>	<u>(17,799)</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of equipment	(13,588)	-
Net cash used in capital and related financing activities	<u>(13,588)</u>	<u>-</u>
 Net (decrease)/increase in cash and cash equivalents	(189,329)	172,739
 Cash and cash equivalents, beginning of year	<u>939,073</u>	<u>766,334</u>
Cash and cash equivalents, end of year	<u><u>\$749,744</u></u>	<u><u>\$939,073</u></u>
 <b>Reconciliation of Operating Income to Net Cash Flows</b>		
<b>From Operating Activities</b>		
Income from operations	\$152,784	\$119,764
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	51,319	48,923
Change in operating assets and liabilities		
Receivables	28,710	(148,185)
Accounts payable and accrued expenses	5,112	124,884
Prepaid expenses	52	811
Inventory	(173,859)	86,095
Net cash provided by operating activities	<u><u>\$64,118</u></u>	<u><u>\$232,292</u></u>



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

*June 30, 2013 and 2012*

**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.

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. 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 and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$6,903 and \$682 at June 30, 2013 and 2012 respectively, is adequate. 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, 2013 and 2012**

**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.

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

*June 30, 2013 and 2012*

**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 2.25 years, with no more than 3 years for weighted average maturity.

	2013	Weighted Average Maturity (in years)	2012	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$749,744	0.001	\$939,073	n/a
Investments				
Certificates of deposit	112,543	0.057	130,114	0.028
U.S. Agencies	925,677	1.311	752,016	0.680
	<u>\$1,787,964</u>		<u>\$1,821,203</u>	

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2013 and 2012 include:

	<u>2013</u>	<u>2012</u>
Credits due from publishers	257,539	\$357,923
Accounts receivable	132,815	61,141
	<u>\$390,354</u>	<u>\$419,064</u>

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

*June 30, 2013 and 2012*

**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 \$45,404 in fiscal 2013, and \$45,751 in fiscal 2012.

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, 2013 and 2012 were \$42,060 and \$43,069 respectively.

**NOTE 5. CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2013 and 2012 was \$51,319 and \$48,923 respectively.

Following are the changes in building and equipment for the years ended June 30, 2013 and 2012:

	June 30, 2012	Additions	Retirements	June 30, 2013
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	445,780	13,588	-	459,368
	2,312,813	13,588	-	2,326,401
Less accumulated depreciation	(947,195)	(51,319)	-	(998,514)
Building Improvements and Equipment, net	<u>\$1,365,618</u>	<u>(\$37,731)</u>	<u>\$ -</u>	<u>\$1,327,887</u>

	June 30, 2011	Additions	Retirements	June 30, 2012
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	445,780	-	-	445,780
	2,312,813	-	-	2,312,813
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>

**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 \$50,066, \$34,992 and \$31,111 to these plans in fiscal 2013, 2012 and 2011, 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, 2013 and 2012*

**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION  
Years ended June 30, 2013, 2012, 2011, 2010, and 2009**

Assets	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$2,533,957	\$2,583,960	\$2,238,423	\$2,783,788	\$2,833,736
Non-current assets	592,301	430,440	518,356	-	24,134
Capital Assets	<u>1,327,887</u>	<u>1,365,618</u>	<u>1,414,541</u>	<u>1,463,330</u>	<u>1,515,718</u>
Total assets	<u>4,454,145</u>	<u>4,380,018</u>	<u>4,171,320</u>	<u>4,247,118</u>	<u>4,373,588</u>
Liabilities					
Accounts payable and accruals	219,108	213,996	89,112	264,371	248,567
Due to other WWU departments	<u>87,464</u>	<u>88,820</u>	<u>75,754</u>	<u>36,497</u>	<u>199,875</u>
Total liabilities	<u>306,572</u>	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>	<u>448,442</u>
Total Net Position	<u><u>\$4,147,573</u></u>	<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>
Current ratio (current assets/current liabilities)	8.27	8.53	13.58	9.25	6.32
Return on assets (change in net position/total assets)	1.6%	1.6%	1.4%	0.5%	3.6%



**ASSOCIATED STUDENTS BOOKSTORE  
SUPPLEMENTAL INFORMATION**

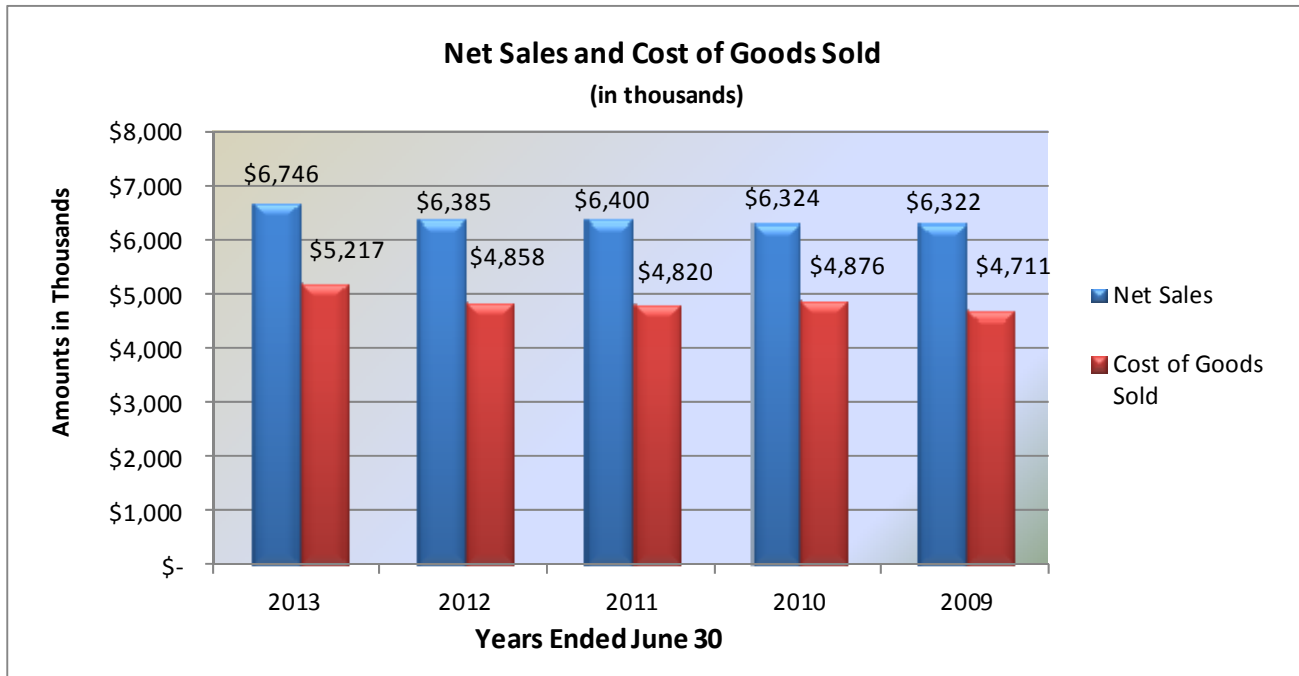
*June 30, 2013 and 2012*

**FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES  
Years ended June 30, 2013, 2012 2011, 2010, and 2009**

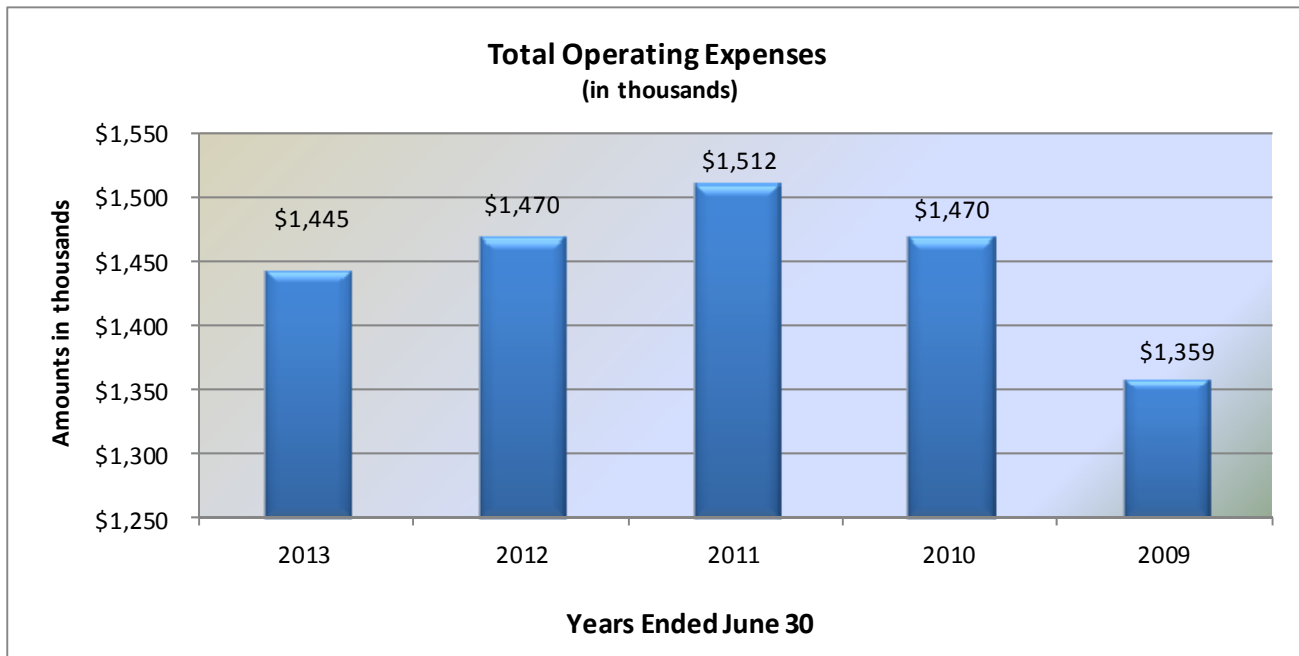
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net sales	\$6,745,860	\$6,384,528	\$6,399,545	\$6,323,888	\$6,321,569
Cost of goods sold	5,217,483 *	4,858,228	4,819,995	4,875,830	4,710,880
Gross profit	<u>1,528,377</u>	<u>1,526,300</u>	<u>1,579,550</u>	<u>1,448,058</u>	<u>1,610,689</u>
Other Operating Revenues	69,114	63,929	61,686	64,827	70,114
Operating expenses					
Salaries and benefits	1,003,125	984,520	1,035,613	1,007,525	862,870
General and administrative expense	256,220	295,263	244,883	242,046	217,721
Facilities expense	63,615	64,456	89,687	68,758	65,589
Depreciation	51,319	48,923	48,789	60,975	130,054
Bank card expense	<u>70,428</u>	<u>77,303</u>	<u>92,925</u>	<u>91,132</u>	<u>82,437</u>
Total operating expense	<u>1,444,707</u>	<u>1,470,465</u>	<u>1,511,897</u>	<u>1,470,436</u>	<u>1,358,671</u>
Income (loss) from operations	152,784	119,764	129,339	42,449	322,132
Nonoperating revenues (expenses)					
Investment income	5,051	5,804	6,619	15,152	38,182
Distribution from Associated Students of WWU	-	34,000	-	-	30,000
Distribution to Associated Students of WWU	(45,404)	(45,751)	(35,202)	-	(165,440)
Distribution to WWU Athletics Department	<u>(42,060)</u>	<u>(43,069)</u>	<u>(40,552)</u>	<u>(36,497)</u>	<u>(34,435)</u>
Total nonoperating revenues (expenses)	<u>(82,413)</u>	<u>(49,016)</u>	<u>(69,135)</u>	<u>(21,345)</u>	<u>(131,693)</u>
Increase (decrease) in net assets	<u>\$70,371</u>	<u>\$70,748</u>	<u>\$60,204</u>	<u>\$21,104</u>	<u>\$190,439</u>
Gross profit percentage (gross profit/net sales)	22.7%	23.9%	24.7%	22.9%	25.5%

\* Beginning with fiscal 2013, freight out costs for returned merchandise are included in costs of goods sold rather than an operating expense.

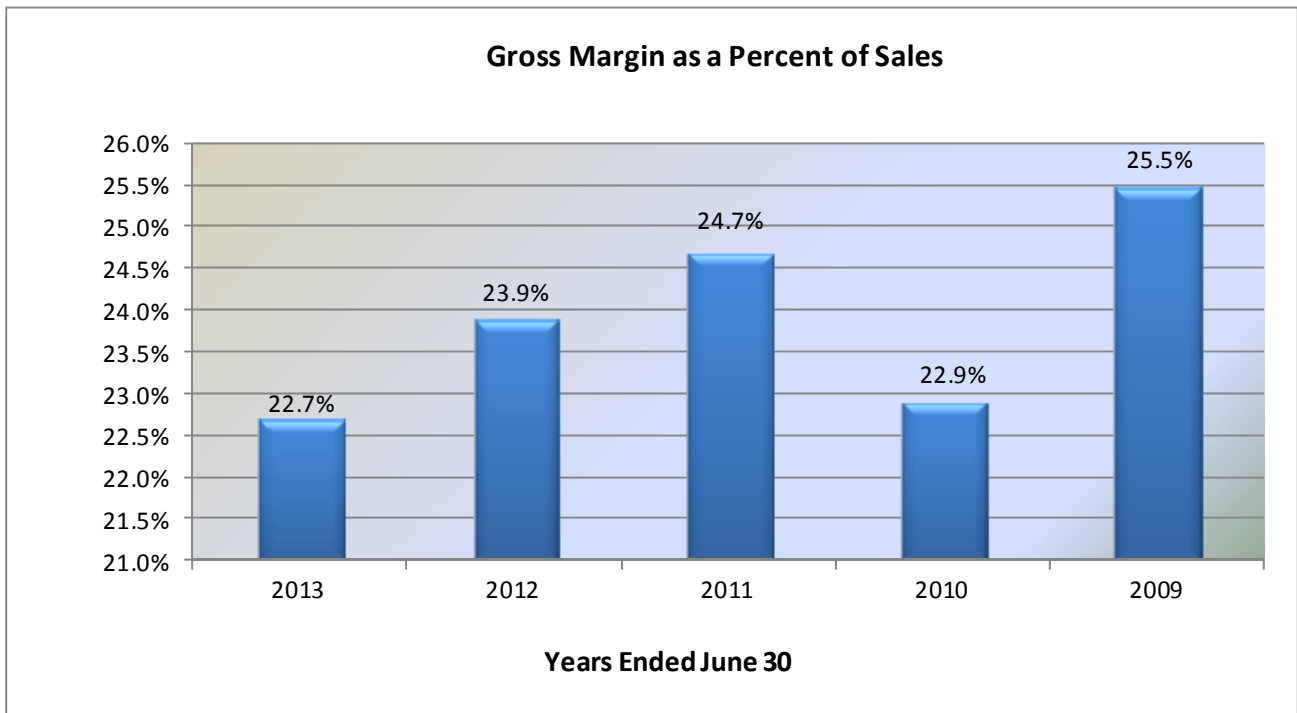
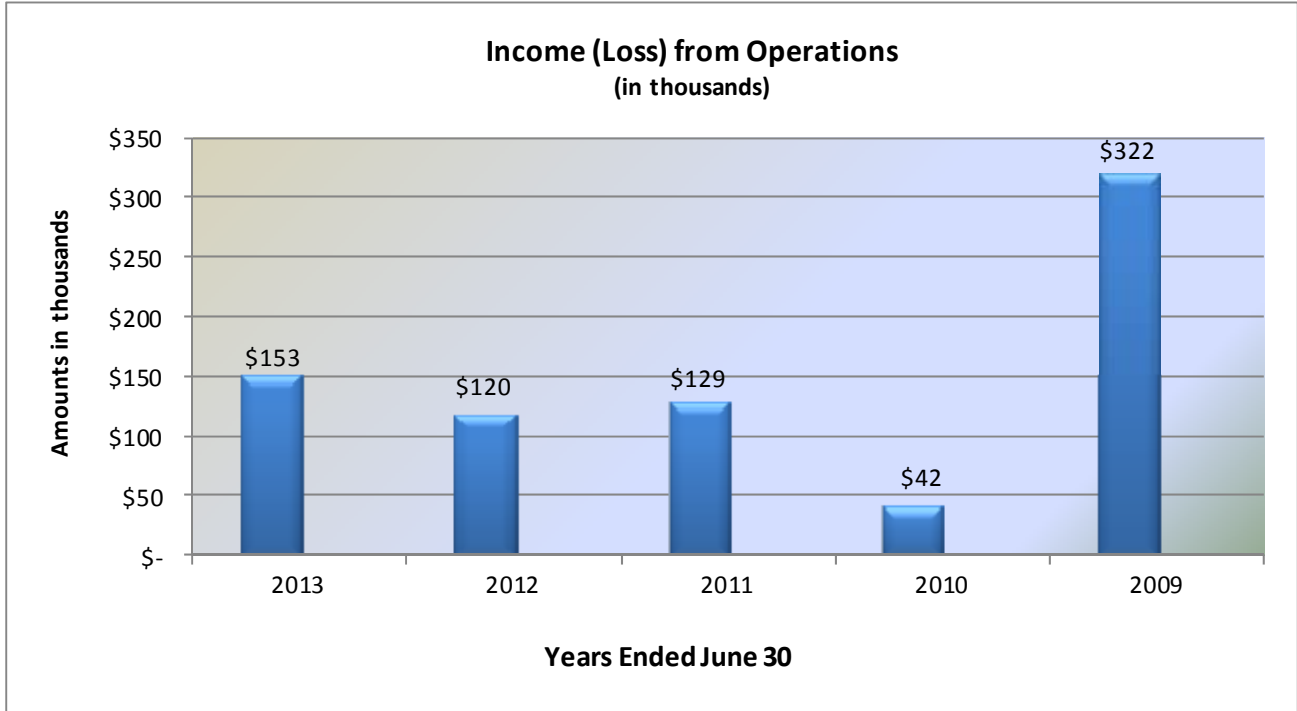
**FIVE-YEAR NET SALES AND COST OF GOODS SOLD**



**FIVE-YEAR TOTAL OPERATING EXPENSES**



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



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