



***WADE KING STUDENT RECREATION CENTER***

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**WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2013 and 2012**

**Overview**

Western Washington University Wade King Student Recreation Center (the Recreation Center) is a state of the art open recreation fitness and wellness facility that has been created and shaped by the vision and support of Western Washington University (WWU) students. The Recreation Center was one of the nation's first recreation centers designed to meet Leadership in Energy and Environmental Design (LEED).

The following discussion and analysis provides an overview of the financial position and activities of the Western Washington University Wade King Student Recreation Center (the Recreation Center) for the fiscal 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 Recreation Center'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 Recreation Center at the end of the fiscal year and report all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount owed to vendors and other parties. The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the Recreation Center.

Below is a condensed view of the Statements of Net Position as of June 30, 2013, 2012 and 2011:

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>			
Current assets	\$2,758,826	\$1,783,021	\$1,621,525
Noncurrent assets	4,830,878	4,375,088	2,511,300
Capital assets, net	<u>21,662,553</u>	<u>21,663,209</u>	<u>22,357,204</u>
Total assets	\$29,252,257	27,821,318	\$26,490,029
<b>Deferred outflows</b>			
	<u>500,022</u>	<u>532,441</u>	<u>50,493</u>
<b>Liabilities</b>			
Current liabilities	790,700	451,455	1,183,182
Noncurrent liabilities	<u>24,782,393</u>	<u>24,808,850</u>	<u>23,345,098</u>
Total liabilities	25,573,093	25,260,305	24,528,280
<b>Net Position</b>			
Net invested in capital assets	(1,907,691)	(1,523,200)	(1,577,401)
Restricted for system renewal and replacements	1,976,548	1,740,551	1,485,309
Restricted for capital projects	2,676,441	2,049,216	-
Unrestricted	<u>1,433,888</u>	<u>826,887</u>	<u>2,104,334</u>
Total net position	<u><u>\$4,179,186</u></u>	<u><u>\$3,093,454</u></u>	<u><u>\$2,012,242</u></u>

Total current assets increased \$975,805 (54.7%) when comparing fiscal 2013 to fiscal 2012 primarily due to increases in cash and cash equivalents, short-term investments and receivables. Cash, cash equivalent and investment increases resulted from an intentionally structured interest-only bond payment in fiscal 2013 along with capital contributions to the Multi-Purpose Field (MPF). The receivable from the Western Washington University Foundation (the Foundation) increased in fiscal 2013 by \$50,035 (57.8%) and increased in fiscal 2012 by \$39,178 (82.6%). These increases are due to an unconditional pledge made by the Foundation to provide funding of \$1.0 million towards the MPF project. This \$1.0 million pledge is scheduled to have 8 annual payments to the Recreation Center and is presented in total at its net present value. During the annual fiscal 2013 financial statement audit of the Foundation, it was discovered that this unconditional pledge was not recognized by the Foundation in fiscal 2012 and as such was not recorded with the Recreation Center during fiscal 2012.

Total noncurrent assets, excluding capital assets net, increased \$455,790 (10.42%) during fiscal 2013 primarily due to increases noncurrent investments and restricted investments offset by a decrease in restricted cash. The \$767,974 (150.6%) increase in noncurrent investments is due to shifting investment strategy to a larger allocation of longer duration fixed income investments. The \$331,560 (-22.8) decrease in restricted cash is due to the partial spending of the remaining bond funds held for the MPF project and a change in the investment mix. The increase in restricted investments is primarily due to the increase to the renewal and replacement fund. Total noncurrent assets, excluding capital assets net, increased \$954,572 (38.0%) during fiscal 2012 primarily due to increases in restricted cash and cash equivalents and restricted investments resulting from \$1,090,000 in additional bond proceeds as part of the Series 2012 Revenue and Refunding Bonds.

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

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

The capital assets, net balance decreased \$656 during fiscal 2013 due to construction in process of the MPF offset by depreciation. During fiscal 2012, capital assets, net decreased \$693,995 (-3.1%) as the Recreation Center building continues to be depreciated with no significant capital additions.

Current liabilities increased \$339,245 (75.1%) during fiscal 2013 primarily due to invoices that are attributable to the MPF. Current liabilities decreased \$731,727 (-61.8%) when comparing fiscal 2012 to fiscal 2011 due primarily to the defeasance of the series 2002 bond by the issuance of series 2012 revenue and refunding bonds in April 2012. The refunding bond issuance does not have a current portion of long term debt.

Non-current liabilities decreased \$26,457 (-0.1%) due to the Series 2012 bond amortization. No principal payments are scheduled until fiscal 2015 due to the 2012 bond refunding for debt service savings. Non-current liabilities increased \$1,463,752 (6.3%) between fiscal 2012 and fiscal 2011 due to the issuance of the Series 2012 Revenue and Refunding Bonds. This issuance defeased the Series 2002 Revenue Bonds as well as supplied an additional \$1,090,000 to be used toward funding the MPF.

Overall, net position increased \$1,085,732 (35.1%) due to restricted capital contributions to the MPF from reduced bond payments and the Foundation pledge, along with the scheduled increase in the Renewal and Replacement Reserve. The Multipurpose Field funds will be spent during fiscal 2014. Overall, net position increased \$1,081,212 (53.7%) during fiscal 2012 when compared to fiscal 2011 due to the Foundation pledge of \$1.0 million for the MPF project, increases in restricted for system renewals and replacements and investment in building and equipment, offset by a decrease in unrestricted. Assets restricted for system renewals and replacements increased over the two prior fiscal years as contributions to this fund exceeded expenditures. Funds for renewals and replacements are set aside according to the five-year capital and maintenance plan required by the debt covenants. These funds are classified as restricted net position on the Statement of Net Position.

**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 presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the Recreation Center's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond premium.

Following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2013, 2012 and 2011:

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 4,327,749	\$ 4,327,272	\$ 4,340,989
Operating expenses	<u>(3,244,359)</u>	<u>(2,982,134)</u>	<u>(3,064,402)</u>
Income from operations	1,083,390	1,345,138	1,276,587
Nonoperating revenues	1,022,451	975,119	16,597
Nonoperating expenses	<u>(1,020,109)</u>	<u>(1,239,045)</u>	<u>(1,268,822)</u>
Increase in net assets	1,085,732	1,081,212	24,362
Net position, beginning of year	<u>3,093,454</u>	<u>2,012,242</u>	<u>1,987,880</u>
Net position, end of year	<u><u>\$ 4,179,186</u></u>	<u><u>\$ 3,093,454</u></u>	<u><u>\$ 2,012,242</u></u>

**Revenues**

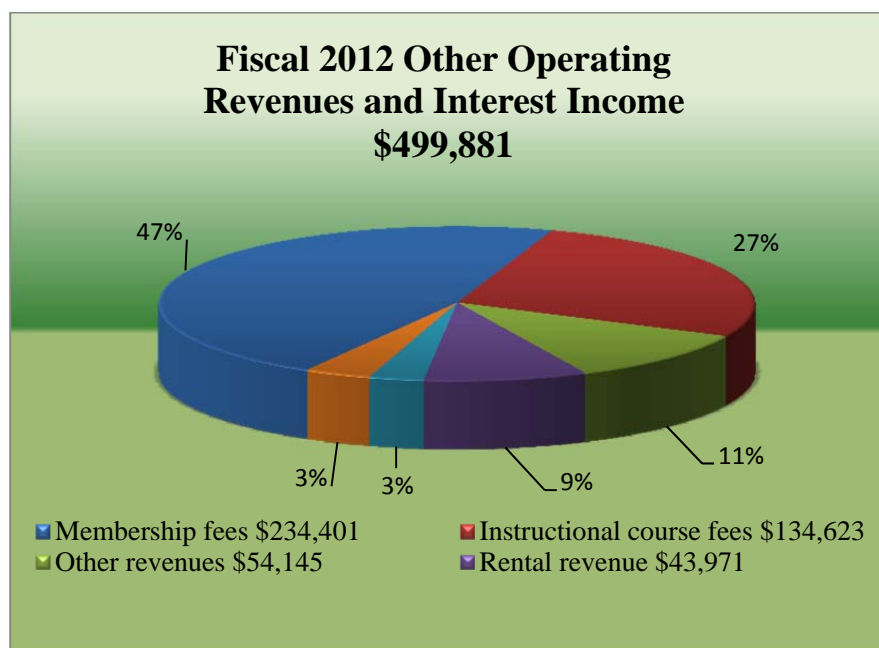
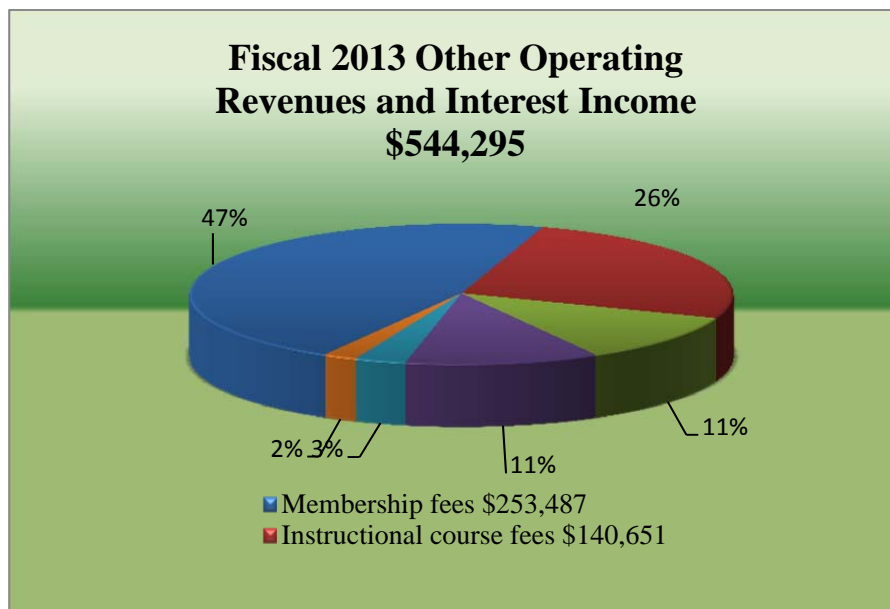
The Recreation Center's largest source of revenue is a \$95 per quarter mandatory service and activity fee for use of the facility for those students taking six or more credits. Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. The fiscal 2013 mandatory service and activity fee remained unchanged from fiscal 2012 and fiscal 2011.

The capital contribution of \$1.0 million for fiscal 2013 is due to support provided by the WWU for the Multipurpose Field project. The estimated \$6.3 million project will create a fully lighted and fenced artificial turf play field that is sized for regulation soccer and will serve as the new home of WWU's NCAA Division II men's and women's soccer teams. It also will be an important resource for WWU's recreation programs by servicing the growing needs of the intramural and sport club system.

In April 2012, the Recreation Center received a \$1.0 million unconditional pledge from the Foundation for the purpose of the design and construction of the Multipurpose Field. The pledge is scheduled for 8 annual payments and is recorded at present value, with the discount amortized over the term of the pledge payments using the straight line method. The net present value of the gift was recorded as of June 30, 2012 as non-operating revenue. During the annual fiscal 2013 financial statement audit of the Foundation, it was discovered that this unconditional pledge was not recognized by the Foundation and as such was not recorded with the Recreation Center during fiscal 2012 when it occurred. During fiscal 2013, management made the recording of the gift revenue to fiscal 2012.

The other operating and non-operating revenue categories, excluding gift income, increased \$44,414 (8.9%) in fiscal 2013 due to an increase in membership fees, instructional course fees and other revenues and decreased \$10,927 (-2.1%) in fiscal 2012 from fiscal 2011. This decrease was due to a decline in facility rentals and decreased youth summer camp revenue. Investment income increased \$1,795 (12.21%) to \$16,500 in fiscal 2013 from \$14,705 in fiscal 2012, which was a \$1,832 (-11.1%) decrease from \$16,537 in fiscal 2011.

Rental revenue for fiscal 2013 increased significantly by \$18,546 (42.2%) due to marketing changes that promoted more usage of the facility by outside groups, specifically additional graduation night rentals. Rental revenue for fiscal 2012 decreased \$4,334 (-9.0%) primarily due to a loss of one graduation night rental. Other Revenues for fiscal 2013 increased \$6,064 (11.2%) from fiscal 2012 due to increased revenue from summer sport camp revenue.



**Expenses**

The largest category of expenses for the Recreation Center is student and staff salaries and benefits, with depreciation being the second largest expense. Salaries and benefits comprised 46.8% of the total operating expenses in fiscal 2013 compared to 45.3% and 42.3% in fiscal 2012 and fiscal 2011, respectively. The \$167,132 (12.4%) increase in salaries and benefits in fiscal 2013 was due to a new position, Assistant Director of Departmental Assessment and Sport Clubs, as well as an increased appointment for our University Dietician, Injury Rehabilitation Athletic Trainer, and increased student employment opportunities. The increase in salaries and benefits expense of \$55,398 (4.3%) in fiscal 2012 is due to an additional exempt position, Injury Rehabilitation Athletic Trainer, as well as additional student positions.

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2013 and 2012*

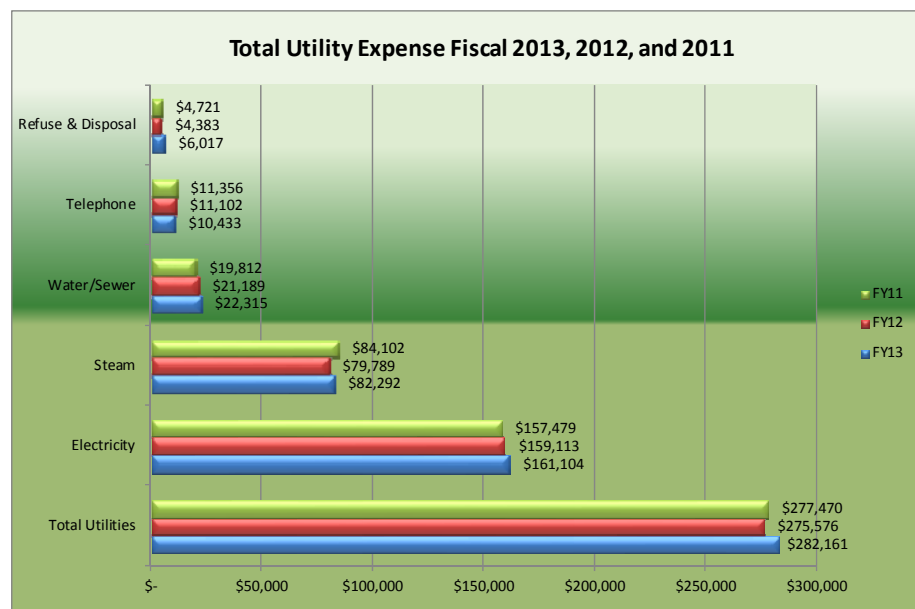
Total utility expense for fiscal 2013 was \$282,161, an increase of \$6,585 (2.4%) due to higher steam consumption and higher rates for refuse and disposal. Total utility expense for fiscal 2012 was \$275,576, a slight decrease of \$1,894 (0.7%) from fiscal 2011. This small decrease in utility expenses can be attributed to lower steam consumption.

Repairs and maintenance expenses decreased \$21,712 (-13.3%) in fiscal 2013 from fiscal 2012 as a result of more preventative maintenance reducing the need for costly repairs. Repairs and maintenance expenses decreased by \$117,025 (-41.7%) in fiscal 2012 because of a lack of significant facility projects.

WWU imposed an equipment freeze for state and tuition funds in fiscal 2011 to achieve savings in anticipation of state-wide budget reductions. The equipment freeze was lifted in fiscal 2012. Major purchases were made but not received by the end of fiscal 2012, so this expense was recorded in fiscal 2013. Those expenses were \$115,473, a \$27,407 (31.1%) increase from fiscal 2012. In previous years auxiliary operations, including the Recreation Center, voluntarily restricted equipment expenditures from operating funds, but utilized \$10,842 in fiscal 2012 and \$57,908 in fiscal 2011 from its Wade King Foundation Fund.

Supplies and materials expense increased slightly by \$6,256 (9.5%) to \$72,311 in fiscal 2013 from \$66,055 in fiscal 2012. Between fiscal 2012 and fiscal 2011 there was a \$25,239 (-27.6%) decrease in spending from \$91,294. Fiscal 2011 expenditures were higher with regard to facility improvements, particularly the expense of rock wall products.

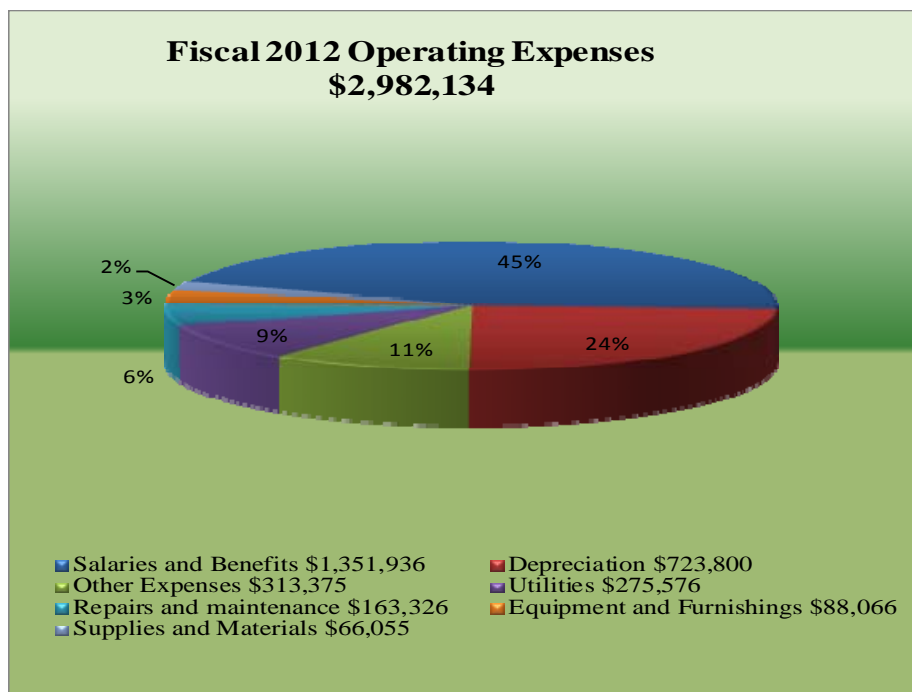
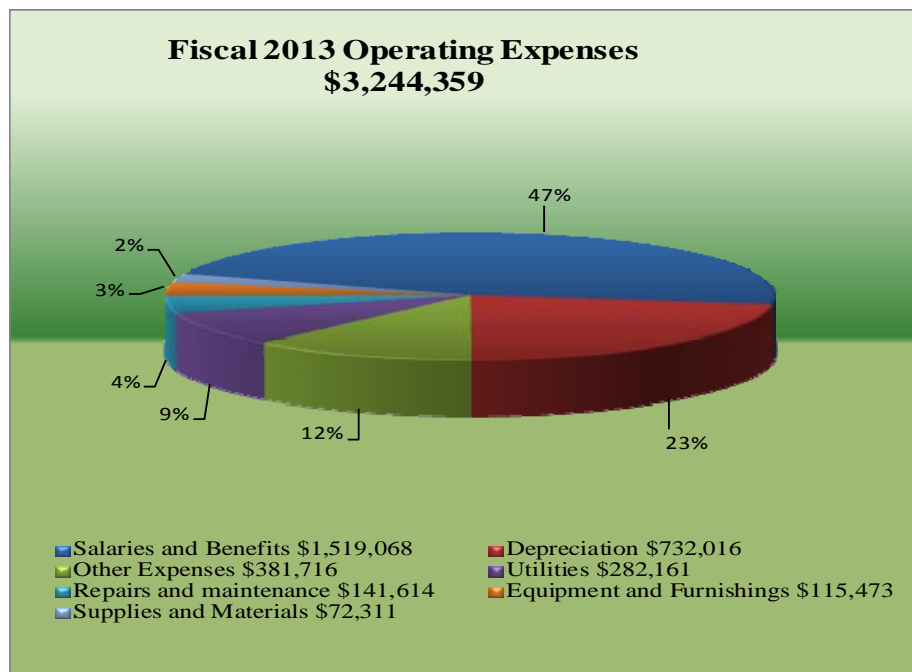
WWU's administrative services assessment fee, which is charged against revenues, remained at 4.5%. This expense was \$193,421 in fiscal 2013, a \$143 increase (0.07%) increase when compared to the \$193,278 spent in fiscal 2012. From fiscal 2011 to fiscal 2012 the fee was increased from 4% to 4.5% which increased expenses by \$14,290 (8.0%) to \$193,278 in fiscal 2012 from \$178,988 in fiscal 2011.





***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2013 and 2012*



**Reserve Funds**

Bond Covenants require an annual addition to the renewal and replacement (R&R) reserve based on management's assessment of the funding level necessary to maintain the facility over the long term. The initial five-year requirement was for fund transfers of \$100,000 in 2004, \$150,000 in each of 2005 and 2006, and \$200,000 in 2007 and 2008. All of the transfers were made as planned including an additional \$190,000

*Unaudited – See Accompanying Accountant's Report*

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2013 and 2012*

(unrestricted) amount in fiscal 2004 as a result of bond defeasance. Management reaffirmed the Facilities Management lifecycle maintenance plan for major maintenance and building repair and increased the annual contribution to \$250,000 for the five-year period beginning in fiscal 2009 to meet anticipated building maintenance and repairs expenses. As planned, \$250,000 was placed into the R&R reserve for fiscal 2013, 2012, and 2011. Various maintenance projects over the course of fiscal 2013 reduced the reserve amount by approximately \$25,000. At June 30, 2013, the R&R balance was \$2,203,476. The funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in fiscal 2005 for unforeseen or extraordinary expenses. The reserve acts as an emergency fund for unplanned repairs, insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance or for the purchase of new equipment. In fiscal 2013, \$87,667 was spent in both capital and non-capital equipment. Furthermore, the Recreation Center transferred \$600,000 to the Multipurpose Field Fund. Contributions to this reserve in the past three years include \$0 in fiscal 2013, \$50,000 in fiscal 2012 and \$100,000 in fiscal 2011. During fiscal 2012, \$44,178 was spent on strength training equipment and \$250,000 was transferred to the Multipurpose Field Fund to assist with architectural design for the new multipurpose turf field.

The King family made an annual donation of \$50,000 over the first seven years, totaling \$350,000. As of fiscal 2011, their annual contribution to the Recreation Center has been restructured. This Foundation reserve fund is dedicated to maintaining the quality of the facility and its programs, and supports students directly as well. Fiscal 2013 saw no money spent out of this fund. During fiscal 2012, \$10,842 was spent on non-capital equipment and \$57,908 was spent in fiscal 2011 on similar equipment to improve the weight and fitness areas. Portions of the donations have been used for youth programming scholarships and certain equipment upgrades. The available balance maintained by the Foundation at June 30, 2013 was \$36,623. These assets are reported as unrestricted on the Statement of Net Position.

**Ratio Analysis**

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for fiscal 2013, 2012, and 2011 were 4.68, 2.36, and 2.37 respectively. The higher ratio in fiscal 2013 was due to the intentional structuring of bond debt payments to include interest only in support of the MPF funding (also interest only in fiscal 2014.) This ratio is calculated by dividing total operating revenues and investment income by the actual annual debt service paid during the fiscal year on the outstanding revenue bonds. The debt services amounts for fiscal years 2013, 2012 and 2011 were \$927,920, \$1,839,750, and \$1,836,531 respectively.

**Utilization Rates**

Student utilization rates were at an all-time high with 13,045 (96.8%) of the 13,470 enrolled students using the facility during the course of fiscal 2013. This utilization rate was much higher than the 12,106 (89.6%) of the 13,513 students who utilized the recreation center in fiscal 2012 and the 12,167 (90.0%) of the 13,521 who utilized the recreation center in fiscal 2011. This information is recorded in the Recreation Center's system when students present their membership cards upon entry to the facility. Visits by members and non-members totaled 422,709 during fiscal 2013, compared with 415,637 during fiscal 2012 and 427,951 in fiscal 2011. The highest number of visits in a given day exceeded 3,100 in fiscal 2013 while roughly 3,000 visits per day were recorded in both fiscal 2012 and fiscal 2011.



## Washington State Auditor Troy Kelley

### INDEPENDENT AUDITOR'S REPORT

November 15, 2013

Board of Trustees  
Western Washington University Wade King Student Recreation Center  
Bellingham, Washington

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

We have audited the accompanying financial statements of the Western Washington University Wade King Student Recreation Center (the Recreation Center), 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 Recreation Center'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 Recreation Center'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 Recreation Center'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 Wade King Recreation Center 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 Recreation Center. 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 Wade King Student Recreation Center, 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.

### ***Matters of Emphasis***


As described in Note 1, during the year ended June 30, 2013, the Recreation Center has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

### ***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 10 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.

Sincerely,



**TROY KELLEY**  
STATE AUDITOR

**WADE KING STUDENT RECREATION CENTER**  
**STATEMENT OF NET POSITION**

*June 30, 2013 and 2012*

<b>Assets</b>	<b>2013</b>	<b>2012</b>
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$1,607,083	\$1,106,835
Investments (Note 2)	962,070	535,087
Accounts receivable, net of allowance of \$7,056 in 2013 and \$6,427 in 2012	48,352	50,343
Pledged gift receivable from Western Washington University Foundation, net (Note 7)	136,623	86,588
Prepaid Expenses	355	251
Inventory	4,343	3,917
Total current assets	<u>2,758,826</u>	<u>1,783,021</u>
<b>Noncurrent assets</b>		
Investments (Note 2)	1,277,888	509,914
Restricted cash and cash equivalents (Note 2)	1,123,060	1,454,620
Restricted investments (Note 2)	1,565,616	1,375,931
Pledged gift receivable from Western Washington University Foundation, net (Note 7)	864,314	909,216
Other assets (Note 1)	-	125,407
Capital assets, net (Note 3)	<u>21,662,553</u>	<u>21,663,209</u>
Total noncurrent assets	<u>26,493,431</u>	<u>26,038,297</u>
Total assets	<u>29,252,257</u>	<u>27,821,318</u>
<b>Deferred outflows</b>		
Deferred loss on bond refunding	<u>500,022</u>	<u>532,441</u>
Total deferred outflows	500,022	532,441
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	333,980	4,156
Accrued wages and benefits	154,367	140,592
Unearned revenue	148,129	151,625
Interest payable	154,224	155,082
Current portion of bonds payable (Note 4)	-	-
Total current liabilities	<u>790,700</u>	<u>451,455</u>
<b>Noncurrent liabilities</b>		
Bonds payable, less current portion (Note 4)	<u>24,782,393</u>	<u>24,808,850</u>
Total liabilities	<u>25,573,093</u>	<u>25,260,305</u>
<b>Net Position</b>		
Net investment in capital assets	(1,907,691)	(1,523,200)
Restricted for system renewals and replacements	1,976,548	1,740,551
Restricted for capital projects	2,676,441	2,049,216
Unrestricted	<u>1,433,888</u>	<u>826,887</u>
Total net position	<u>\$4,179,186</u>	<u>\$3,093,454</u>

**WADE KING STUDENT RECREATION CENTER**  
**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION** *June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Service and activity fees, net of mandatory transfer	\$3,799,954	\$3,842,096
Staff, faculty and alumni membership fees	253,487	234,401
Instructional course fees	140,651	134,623
Other course fees	10,931	18,036
Rental revenue	62,517	43,971
Other revenues	60,209	54,145
Total operating revenues	<u>4,327,749</u>	<u>4,327,272</u>
<b>Operating Expenses</b>		
Salaries and benefits	1,519,068	1,351,936
Depreciation	732,016	723,800
Utilities	282,161	275,576
Repairs and maintenance	141,614	163,326
Equipment and furnishings	115,473	88,066
Supplies and materials	72,311	66,055
Administrative assessment	193,421	193,278
Insurance	28,585	28,914
Other	159,710	91,183
Total operating expenses	<u>3,244,359</u>	<u>2,982,134</u>
Income from operations	1,083,390	1,345,138
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	16,500	14,705
Capital contribution	1,000,000	-
Pledged gift income	5,951	960,414
Interest expense	(888,689)	(1,154,874)
Amortization of bond premiums	(131,420)	(84,171)
Total nonoperating revenues (expenses)	<u>2,342</u>	<u>(263,926)</u>
Increase in net assets	1,085,732	1,081,212
<b>Net Position, Beginning of Year</b>	<u>3,093,454</u>	<u>2,012,242</u>
<b>Net Position, End of Year</b>	<u><u>\$4,179,186</u></u>	<u><u>\$3,093,454</u></u>

**WADE KING STUDENT RECREATION CENTER**  
**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	\$4,322,787	\$4,287,676
Payments to employees	(1,505,293)	(1,336,785)
Payments to suppliers	(663,981)	(914,566)
Net cash flows provided by operating activities	<u>2,153,513</u>	<u>2,036,325</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Pledged gift income	<u>818</u>	<u>12,020</u>
Net cash flows provided by(used in) noncapital financing activities	818	12,020
<b>Cash Flows from Investing Activities</b>		
Net purchases of investments in internal investment pool	(1,384,642)	(860,645)
Investment income received	<u>16,500</u>	<u>14,705</u>
Net cash flows provided by investing activities activities	(1,368,142)	(845,940)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of equipment	(731,360)	(29,805)
Proceeds from bond issue	-	24,385,000
Proceeds from capital contribution	1,000,000	-
Interest paid on capital debt	(886,141)	(1,199,800)
Principal paid on capital debt	-	(23,935,000)
Net cash used in capital and related financing	<u>(617,501)</u>	<u>(779,605)</u>
Net increase in cash and cash equivalents	168,688	422,800
Cash and cash equivalents, beginning of year	<u>2,561,455</u>	<u>2,138,655</u>
Cash and cash equivalents, end of year	<u>\$2,730,143</u>	<u>\$2,561,455</u>
<b>Reconciliation of Operating Income to Net Cash Provided to Operating Activities</b>		
Income from operations	\$1,083,390	\$1,345,138
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	732,016	723,800
Change in operating assets and liabilities		
Accounts receivable	1,991	14,465
Accounts payable, accrued expenses, salaries and benefits	343,599	7,210
Prepaid Expense	(104)	(206)
Unearned revenue	(6,953)	(54,061)
Inventory	(426)	(21)
Net cash flows provided by operating activities	<u>\$2,153,513</u>	<u>\$2,036,325</u>

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***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2013 and 2012*

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Western Washington University Wade King Student Recreation Center (the Recreation Center) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of WWU. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, an injury rehabilitation room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on WWU campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. Prior to fiscal 2011, Wade King's parents, Frank and Mary King, pledged a lifetime gift of \$50,000 per year to the Western Washington University Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center requests funds from the Western Washington University Foundation when expenditures are incurred. During fiscals 2013, 2012 and 2011, the Recreation Center did not receive the \$50,000 due to a restructuring of the pledged gift to an estate gift.

**Financial Statement Presentation**

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

**Basis of Accounting**

The Recreational Center'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**

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

**Inventory**

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

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**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

**Accounts Receivable**

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center 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 \$7,056 and \$6,427 at June 30, 2013 and 2012 respectively, is adequate.

**Building and Equipment, Net**

The building used for the Recreation Center's operations is located on WWU's property. Building and equipment are stated at cost, net of accumulated depreciation. The Recreation Center 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 buildings and five to seven years for equipment.

**Deferred Outflows**

For the year ended June 30, 2013, the Recreation Center implemented GASB 65 "*Items Previously Reported as Assets and Liabilities*". Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflow of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this standard reclassified the deferred loss on defeasance from the 2012 bond refunding as a deferred outflow of resources. The deferred outflow amounts are \$500,022 and \$532,441 for fiscal years 2013 and 2012, respectively and are reported on the statement of net position.

**Unearned Revenue**

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. The majority of cash received for service and activity fees related to summer session in fiscal 2013 are recorded as unearned revenue until the following fiscal year when the revenue is earned.

**Net Position**

The Recreation Center's net position is classified as follows:

*Net investment in capital assets.* This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets as well as unamortized bond issue costs. The deficit in this net position relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

*Restricted for system renewals and replacements.* Restricted net position represent resources restricted in accordance with bond covenants for system renewals and replacements. Restricted assets are used in accordance with their requirements and where both unrestricted and restricted resources are available for use, unrestricted resources are used first and restricted resources only when the specific use arises.

*Unrestricted net position.* Unrestricted net position represent resources derived from operations and investing activities along with operating reserves established for future replacement of assets.

*Restricted for capital projects.* Restricted for capital projects net position represent resources that are restricted by bond covenants and contracts to be used for the Multipurpose Field project.

**Classification of Revenues and Expenses**

The Recreation Center has classified its revenues and expenses as either operating or nonoperating according to

***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

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

the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as service and activity fees charged to students, staff, faculty, and alumni membership fees, and instructional course fees. Operating expenses are those costs incurred in daily operations, such as salaries, utilities, and depreciation.

Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as investment and gift income. Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

*Student Recreation Center Fee, net of mandatory transfer*

Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees into an institutional financial aid fund.

This fund is only to be used to fund short- or long-term loans and grants to students in need. Service and activity fee revenue is reported net of this transfer.

Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums are presented as an increase of the face amount of bonds payable.

Administrative Assessment

WWU provides support to the Recreation Center through cash and bond debt management, accounting, purchasing and disbursing services, risk management, human resources and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was \$193,421 and \$193,278 for fiscal years ended June 30, 2013 and 2012, respectively, and is based on a percentage of revenues.

Tax Exemptions

WWU, and the Recreation Center as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under Section 115(a) of the Internal Revenue Code and is exempt from federal 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 and 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.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Interest Rate and Credit Risk

The Recreation Center's operating cash is part of WWU'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

***WADE KING STUDENT RECREATION CENTER  
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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.

WWU 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.

The Recreation Center's investment in WWU's pool includes \$1,976,548 restricted for renewals and replacements and \$712,127 in unspent bond proceeds and \$1,000,000 in capital contributions to be used to fund the Multipurpose Field capital project.

	June 30, 2013	Weighted Average Maturity (in years)	June 30, 2012	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$2,730,143	0.001	\$2,561,455	n/a
Investments				
Certificates of deposit	412,524	0.057	357,087	0.046
U.S. Treasury	-		-	0.006
U.S. Agencies	3,393,050	1.311	2,063,845	0.722
	<u>\$6,535,717</u>		<u>\$4,982,387</u>	

**NOTE 3. CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2013 and 2012 was \$732,016 and \$723,800, respectively.

Following are the changes in capital assets for the years ended June 30, 2013 and 2012:

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**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

	June 30, 2012	Additions	Retirements	June 30, 2013
Non-Depreciable				
Construction in Progress	\$12,658	\$653,589	\$ -	\$666,247
Depreciable				
Building	27,687,761	-	-	27,687,761
Equipment	270,927	77,771	-	348,698
Improvements	7,078	-	-	7,078
	<u>27,978,424</u>	<u>731,360</u>	<u>-</u>	<u>28,709,784</u>
Less accumulated depreciation	(6,315,215)	(732,016)	-	(7,047,231)
Capital assets, net	<u>\$21,663,209</u>	<u>(656)</u>	<u>-</u>	<u>21,662,553</u>

	June 30, 2011	Additions	Retirements	June 30, 2012
Non-Depreciable				
Construction in Progress	\$7,078	\$12,658	(\$7,078)	\$12,658
Depreciable				
Building	27,687,761	-	-	27,687,761
Equipment	262,114	18,582	(9,769)	270,927
Improvements	-	7,078	-	7,078
	<u>27,956,953</u>	<u>38,318</u>	<u>(16,847)</u>	<u>27,978,424</u>
Less accumulated depreciation	(5,599,749)	(723,800)	8,334	(6,315,215)
Capital assets, net	<u>\$22,357,204</u>	<u>(\$685,482)</u>	<u>(\$8,513)</u>	<u>\$21,663,209</u>

**NOTE 4. BONDS PAYABLE**

For the year ended June 30, 2013, the Recreation Center implemented GASB 65 “*Items Previously Reported as Assets and Liabilities*”. Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflow of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this standard expensed \$125,407 of unamortized bond issuance costs and reclassified the deferred loss on defeasance as a deferred outflow. The deferred outflow amounts are \$500,022 and \$532,441 for fiscal years 2013 and 2012, respectively. Management determined the unamortized bond issuance costs to be immaterial and chose not to restate previous years’ net positions. Had the issuance cost been deemed material, the effect on net position for fiscal year 2012 would have been a reduction of net position by \$125,407.

The Recreation Center issued the Revenue and Refunding Bonds Series 2012 in April 2012. The bonds bear interest at rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face amount of \$24,385,000 and \$24,385,000 at June 30, 2013 and 2012, which is reported net of the unamortized original issue premium and loss on defeasance of \$397,393 and \$423,850 respectively.

On February 10, 2012, the Board of Trustees approved Resolution No. 2012-01, authoring the issuance of revenue and refunding bonds, Series 2012. On April 30, 2012, WWU issued \$24,385,000 in Revenue and

***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

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

Refunding Bonds, with interest rates of 3% to 4.1% to refund the remaining 2002 Revenue bonds. The bonds have an aggregate face amount of \$24,385,000 at June 30, 2012, which are reported net of the unamortized original issue premium of \$423,850.

Management expects the refunding will provide a net present value savings of approximately \$2,723,000 in debt service over the life of the new bonds and a loss on defeasance of \$532,441. The amount required to refund the 2002 bonds remaining plus a refunding premium and underwriter's discount (total of \$23,721,064) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely on May 1, 2012.

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2014	\$ -	\$925,350	\$925,350
2015	700,000	925,350	1,625,350
2016	725,000	904,350	1,629,350
2017	750,000	882,600	1,632,600
2018	770,000	860,100	1,630,100
2019-2023	4,230,000	3,914,425	8,144,425
2024-2028	5,100,000	3,050,000	8,150,000
2029-2033	6,205,000	1,944,800	8,149,800
2034-2037	5,905,000	602,200	6,507,200
	<u>24,385,000</u>	<u>14,009,175</u>	<u>38,394,175</u>
Plus unamortized premium	397,393		
Total	<u><u>\$24,782,393</u></u>	<u><u>\$14,009,175</u></u>	<u><u>\$38,394,175</u></u>

Following are the changes in bonds payable:

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*June 30, 2013 and 2012*

	Beginning Balance	Additions and Amortizations of Bond Premium and Loss on Defeasance	Retirements	Ending Balance	Current Portion
As of June 30, 2013 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$397,393 and \$423,850 at June 30, 2013 and 2012 respectively.	<u>\$24,808,850</u>	<u>(\$26,457)</u>	<u>\$0</u>	<u>\$24,782,393</u>	<u>\$0</u>
As of June 30, 2012 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$423,850 at June 30, 2012.	<u>\$0</u>	<u>\$24,808,850</u>	<u>\$0</u>	<u>\$24,808,850</u>	<u>\$0</u>
As of June 30, 2012 - Series 2002 Revenue Bonds, net of unamortized original issue discount of \$0 and \$249,901 at June 30, 2012 and 2011, respectively.	<u>\$23,985,099</u>	<u>\$249,901</u>	<u>(\$24,235,000)</u>	<u>\$0</u>	<u>\$0</u>

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center.

The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees. The bond covenants require that the Recreation Center transfer monies each year to an account held as restricted net position for renewals and replacements of the facilities.

**NOTE 5. PENSION PLAN**

Recreation Center employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP).

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

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

The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information

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concerning plan descriptions and benefit provisions is included in the 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 WWU. WWU's Board of Trustees is authorized to establish and amend benefit provision.

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. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made. The Recreation Center contributed \$50,485, \$44,759 and \$37,273 to these plans in fiscal 2013, 2012 and 2011, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

**NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

WWU 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 actuarial accrued liability (AAL) is not available for auxiliary entities. WWU is responsible for the annual payment; therefore the annual required contribution is not recorded on the Recreation Center's financial statements.

**NOTE 7. PLEDGED GIFT RECEIVABLE WITH THE FOUNDATION**

In April 2012, the Recreation Center received a \$1 million unconditional pledge from the Foundation for the purpose of the design and construction of the Multipurpose Field (MPF) to be located on WWU's campus. The gift to the Recreation Center is recorded at its present value, with the discount being amortized over the 8 year payment schedule using the straight line method. The gift is expected to be paid as follows:

For the year ending June 30,

2014	\$100,000
2015	50,000
2016	50,000
2017	150,000
Thereafter	<u>650,000</u>
	1,000,000
Less present value discount (0.71%)	<u>(35,686)</u>
Pledged gift receivable from the Foundation, net	<u><u>\$964,314</u></u>