



ASSOCIATED STUDENTS BOOKSTORE

Table of Contents

Management’s Discussion and Analysis	3
Independent Auditors’ Report	12
Financial Statements	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17
Notes to the Financial Statements	18
Supplemental Information	
Five Year Condensed View of Statements of Net Position	25
Five Year Statements of Revenues and Expenses	26
Five Year Net Sales/Cost of Goods Sold and Five Year Total Operating Expenses	27
Five Year Income from Operations and Gross Profit as a Percentage of Sales	28

This page intentionally left blank

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

June 30, 2014 and 2013

Overview

Western Washington University Associated Students Bookstore (the Bookstore) has served the Western Washington University (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 (ASWWU) 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, 2014, 2013 and 2012. 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, 2014, 2013 and 2012:

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

June 30, 2014 and 2013

ASSETS	2014	2013	2012
Current Assets	\$2,520,680	\$2,533,957	\$2,583,960
Noncurrent Assets	838,546	592,301	430,440
Capital Assets, net	<u>1,275,866</u>	<u>1,327,887</u>	<u>1,365,618</u>
Total assets	<u>4,635,092</u>	<u>4,454,145</u>	<u>4,380,018</u>
 LIABILITIES			
Current liabilities	<u>360,921</u>	<u>306,572</u>	<u>302,816</u>
Total liabilities	<u>360,921</u>	<u>306,572</u>	<u>302,816</u>
 NET POSITION			
Net invested in capital assets, net	1,275,866	1,327,887	1,365,618
Net position, unrestricted	2,998,305	2,819,686	2,690,584
Net position, restricted, expendable	<u>-</u>	<u>-</u>	<u>21,000</u>
Total net position	<u><u>\$4,274,171</u></u>	<u><u>\$4,147,573</u></u>	<u><u>\$4,077,202</u></u>

The Bookstore's net position continued to increase in fiscal 2014. At June 30, 2014, the Bookstore's total net position was \$4,274,171, an increase of \$126,598 (3.1%) from fiscal 2013. The net position increase was \$70,371 (1.7%) when comparing fiscal 2013 to fiscal 2012.

Total current assets decreased \$13,277 (-0.5%) over fiscal 2013 due to a decrease in short term investments, combined with an increase in accounts receivable and inventory. The decrease of \$174,597 in short-term investments is due to the shifting to long-term investments. Cash and cash equivalents, unrestricted, increased \$36,135 (4.8%). A \$50,000 distribution from the Associated Students of Western Washington (ASWWU.) contributed to this increase. There was no allocation from ASWWU in fiscal 2013. An increase in textbook returns along with the timing of textbook returns contributed to a \$94,320 (24.2%) increase in accounts receivable in fiscal 2014 over fiscal 2013. The Charge-It program allowing student purchases to be charged to their student account also contributed to the accounts receivable increase. Fiscal 2013 current assets decreased \$50,003 (-1.9%) from fiscal 2012 due to a decrease in cash and cash equivalents along with accounts receivable offset by an increase in inventory.

Noncurrent investments increased \$246,245 (41.6%) when comparing fiscal 2014 to fiscal 2013 due to increased long-term investments as the Bookstore continues to build an appropriate level of operating reserves. Fiscal 2013 noncurrent investments increased \$161,861 (37.6%) from fiscal 2012 due an increase in long term investments held as a result of shifting to longer duration investments.

Capital assets continued to decrease as existing assets depreciated at a greater rate than new capital assets were acquired. Fiscal 2014 capital assets decreased \$52,021 (-3.9%) over fiscal 2013. Fiscal 2013 decreased by

ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

\$37,731 (-2.8%) when compared to fiscal 2012. 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 in fiscal 2014 increased \$54,349 (17.7%) primarily due to an increase of \$56,193 (123.8%) in the distribution payable to the ASWWU. Total current liabilities increased \$3,756 (1.2%) in fiscal 2013 from fiscal 2012 primarily due to an increase in accounts payable and accrued expenses offset by a decrease in the annual distribution to the WWU Athletics Department.

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, 2014, 2013 and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Sales, net of discounts	\$6,857,195	\$6,745,860	\$6,384,528
Cost of goods sold	<u>5,265,778</u>	<u>5,217,483</u>	<u>4,858,228</u>
Gross margin	1,591,417	\$1,528,377	\$1,526,300
Other operating revenues	62,909	69,114	63,929
Operating expenses	<u>1,441,423</u>	<u>1,444,707</u>	<u>1,470,465</u>
Income (loss) from operations	212,903	\$152,784	\$119,764
Nonoperating (expenses) revenues	<u>(86,305)</u>	<u>(82,413)</u>	<u>(49,016)</u>
Changes in net position	126,598	\$70,371	\$70,748
Net position, beginning of year	<u>4,147,573</u>	<u>4,077,202</u>	<u>4,006,454</u>
Net position, end of year	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>\$4,077,202</u>

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

June 30, 2014 and 2013

Fiscal 2014 sales net of discounts increased \$111,335 (1.7%) from fiscal 2013 primarily due to increases in the sales of used textbook, rentals of in-store Bookstore course books, and sales of school supplies. Growth in classroom use of custom textbooks and digital components, along with growth in third party textbook rentals in-store contributed to the fiscal 2014 increase in textbook sales. Net sales increased in fiscal 2013 compared to fiscal 2012 by \$361,332 (5.7%) largely due to an increase in new textbook sales. 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 fiscal 2013 increase in textbook sales.

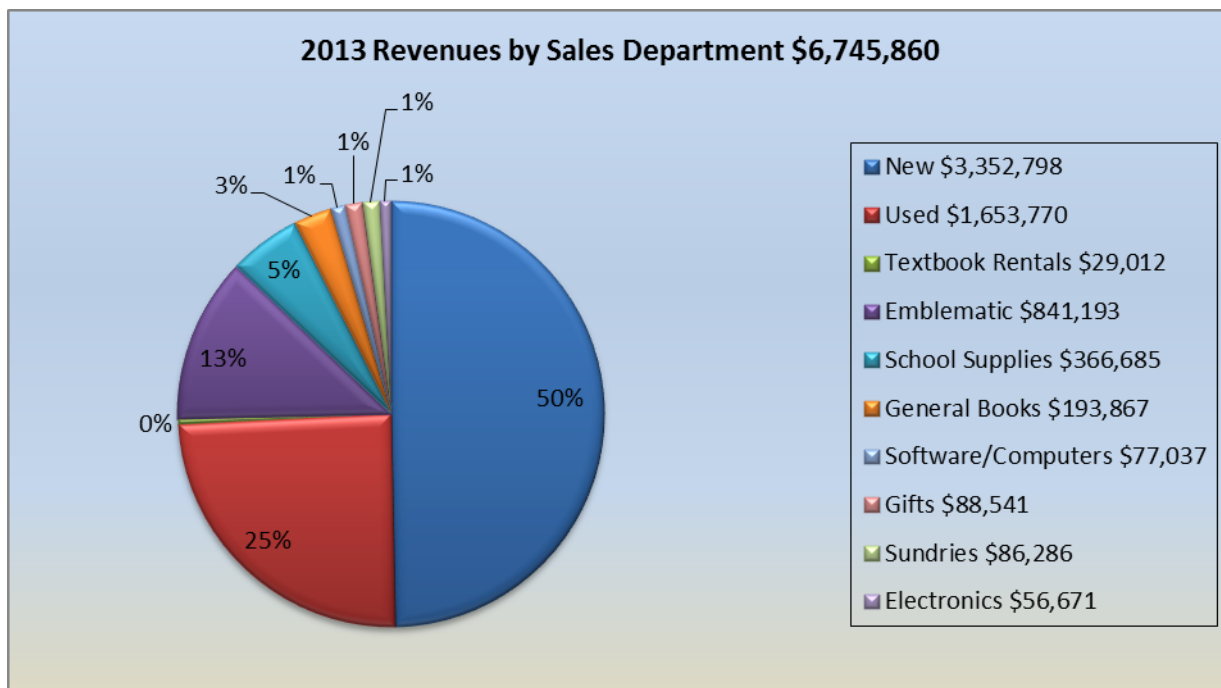
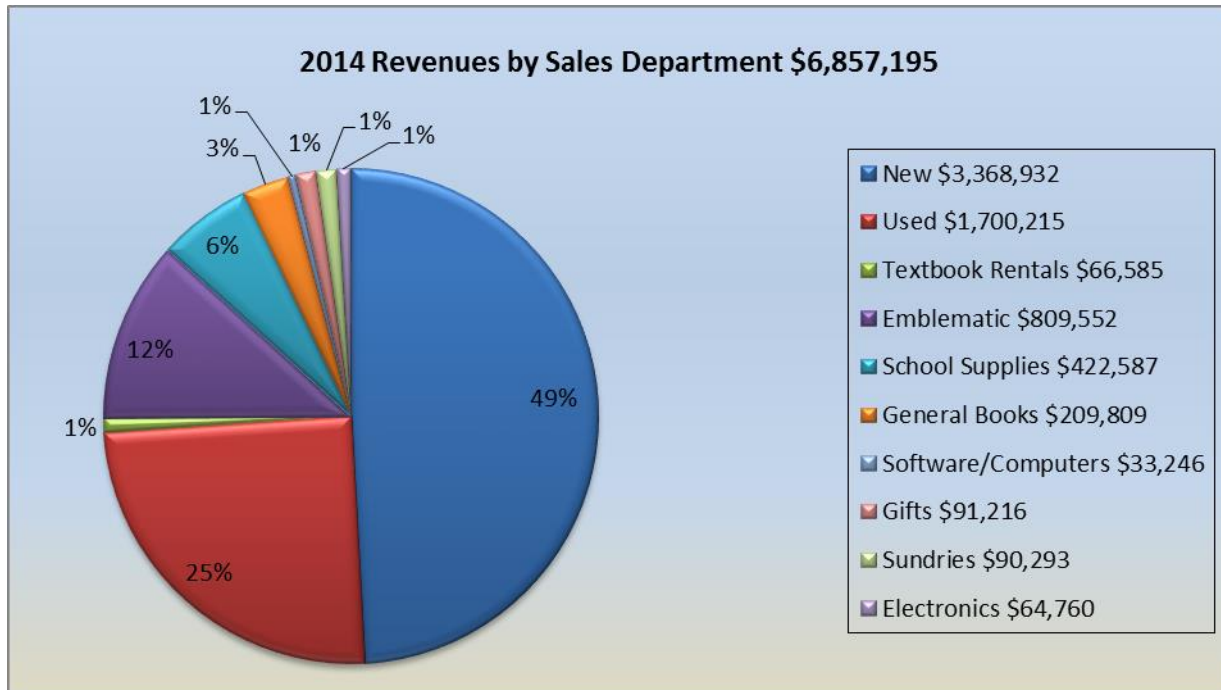
Cost of goods sold increased \$48,295 (0.9%) from fiscal 2013 and increased \$359,255 (7.4%) in fiscal 2013 from fiscal 2012. In fiscal 2014, an increase in the sale of used textbooks along with an increase in in-store Bookstore course book rentals contributed to a smaller percentage increase in cost of goods sold in relation to the percentage increase in sales of textbooks. The fiscal 2013 cost of goods sold increase was affected by a change in the calculation of cost of goods sold for textbooks. Beginning in fiscal 2013, freight costs 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.

The gross margin percentage for fiscal 2014 increased to 23.2%, compared to 22.7% in fiscal 2013 and 23.9% in fiscal 2012. In fiscal 2014, gross margin percentage increased slightly as cost of goods sold increased at a lower rate than net sales increased. The average gross margin percentage for bookstores reporting \$5.0-\$9.9 Million Sales Volume in the Independent College Bookstore Association (ICBA) survey for 2012-2013 was 24.0%. The level of textbook discount the Bookstore offers students continues to impact the Bookstore's gross margin.

The Bookstore maintained a 10% discount on new and used textbooks during fiscal 2014. This discount represented an approximate reduction of \$518,988 in the cost of textbooks for Western students who purchased their textbooks on campus. In the ICBA survey for 2012-2013 the average total value of discounts provided by college bookstores who offered discounts on course books to students was \$459,047.

Other operating revenue decreased \$6,205 (-9.0%) from fiscal 2013 and increased \$5,185 (8.1%) in fiscal 2013 from fiscal 2012. The decrease in fiscal 2014 was largely due to a decrease in commissions earned for books purchased from students and sent on to wholesalers. Textbook rentals have decreased the number of books available to be purchased from students.

New and used textbook sales accounted for 74.9% of total Bookstore sales in fiscal 2014. This percentage was nearly flat with a 0.3% change from 74.6% in fiscal 2013 which increased from 73% in fiscal 2012. The ICBA 2012-2013 survey average for bookstores reporting \$5.0-\$9.9 Million Sales Volume was 64.5% of total sales.



Revenues by Sales Department

Total textbook sales grew to \$5,069,147 in fiscal 2014, an increase of 1.2% from fiscal year 2013 sales of \$5,006,568. Fiscal 2013 total textbook sales increased 7.4% from \$4,662,194 in fiscal 2012. The fiscal 2014 increase was largely the result of an increase in the sale of used textbooks.

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

June 30, 2014 and 2013

New textbook sales were nearly flat in fiscal 2014 with sales of \$3,368,932, an increase of \$16,143 (0.5%) from \$3,352,798 in fiscal 2013. Fiscal 2013 sales increased \$487,986 (17.0%) from \$2,864,815 in fiscal 2012. New textbook margin percentage for fiscal 2014 was 10.6% (-0.4 %), down from 11.0% in fiscal 2013. Used textbook margin percentage for fiscal 2014 was 30.2% (0.5%), up from 29.7% in fiscal 2013.

Used textbooks sales grew in fiscal 2014 with sales of \$1,700,215 up \$46,445 (2.8%) from \$1,653,770 in fiscal 2013. Fiscal 2013 sales were down \$143,609 (-8.0%) from \$1,797,379 in fiscal 2012. Used textbooks sales as a percent of total textbook sales were up slightly at 33.1% (0.3%) from 32.8% in fiscal 2013. The ICBA 2012-2013 survey average ratio of used course book sales to total course book sales was 24.5% (-4.3%) a decline from 28.8% in the ICBA 2011-2012 survey.

In fiscal 2014 an increasing number of Western students chose to rent textbooks. The Bookstore supported students by continuing to work with on-line and in-store affiliate company Rafter in addition to offering in-store rentals directly from the Bookstore. In fiscal 2014, in-store students rented 4,519 course books through Rafter up 3,553 (367.8%) from 966 course books in fiscal 2013. Students rented 1052 course books directly from the Bookstore up 489 (86.9%) from 563 course books in fiscal 2013. On-line, through the Bookstore web-site, students rented 2,004 course books from Rafter down 353 (-15%) from 2,357 in fiscal 2013.

Fiscal 2014 revenue for the course books rented directly from the Bookstore was \$66,585 up \$37,573 (129.5%) from \$29,012 in fiscal 2013. The cost of goods sold calculated for direct Bookstore rentals includes a mark down to retail inventory value when new textbooks are rented with the mark down amount expensed to used textbooks cost of goods sold. At the end of each quarter, the marked down inventory value of all new textbooks rented was transferred to used textbooks 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 \$809,552 decreased \$31,641 (-3.8%) from fiscal 2013 sales of \$841,193. Fiscal 2013 sales decreased \$20,189 (-2.3%) from \$861,382 in fiscal 2012. The fiscal 2014 decrease in emblematic sales was largely the result of difficulties in getting products from one the Bookstore's primary vendors. Larger emblematic sales during fiscal 2012 were due in part to the March 24, 2012 WWU Men's Basketball NCAA Division II Championship.

School supplies sales grew to \$422,587 an increase of \$55,902 (15.2%) from fiscal 2013 sales of \$366,685. A new WWU policy requiring lab coats for chemistry lab courses contributed to the sales increase. Lab coat sales increased from \$150 in fiscal 2013 to \$35,312 in fiscal 2014. School supplies sales were flat in fiscal 2013 with a \$76 increase over fiscal 2012 sales of \$366,609.

General books sales continued to increase with sales of \$209,809 up \$15,942 (8.2%) from fiscal 2013 sales of \$193,867. Fiscal 2013 sales were up \$27,151 (16.3%) from fiscal 2012 sales of \$166,716. Fiscal 2014 and fiscal 2013 sales were boosted by the sale of general book quick study guides. The Bookstore recommended and sold quick study guides on the Bookstore's website along with required course materials. The Bookstore continued to implement programs to help the Bookstore benefit from the national trend to buy local.

Software sales declined sharply again in fiscal 2014 to \$33,246 down \$43,791 (-56.8%) from sales of \$77,037 in fiscal 2013. Fiscal 2013 sales were down \$31,358 (-28.9%) from sales of \$108,395 in fiscal 2012. Students started receiving free on-line access to Microsoft software in the fall of quarter of fiscal 2013. Companies such as Adobe also changed sales and marketing strategies for software further impacting the Bookstore's decline in software sales. The margin on software is not substantial, so the impact on net revenues is minimal.

ASSOCIATED STUDENTS' BOOKSTORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

Gift sales increased slightly to \$91,216 up \$2,675 (3.0%) from fiscal \$88,541. Fiscal 2013 sales increased \$6,275 (7.6%) up from \$82,266 in fiscal 2012. Sales of non-emblematic drinkware, scarves and headwear contributed to growth in gift sales.

Sundries sales increased slightly with sales of \$90,293 up \$4,007 (4.6%) from \$86,286 up \$10,395 (13.7%) from \$75,891 in fiscal 2012. The Bookstore continued to benefit from efforts to increase variety of merchandise and to update in-store marketing.

Electronic sales grew substantially with sales of \$64,760 up \$8,089 (14.3%) from \$56,671 in fiscal 2013. Fiscal 2013 sales were down of \$4,404 (-7.2%) from \$61,075 in fiscal 2012. In fiscal 2014, the sale of small electronic devices such as headphones and ear buds increased to \$41,713 from \$33,430 in fiscal 2013 at the same time the sale of calculators remained flat.

Expenses by Major Source

Fiscal 2014 total operating expenses were nearly flat, down \$3,284 (-0.2%) from fiscal 2013. Fiscal 2013 operating expenses were down \$25,758 (-1.8%) from fiscal 2012. The decrease in fiscal 2013 reflects the fact that beginning in fiscal 2013 freight costs for textbook returns were shifted from operating expense to cost of goods sold.

Salaries and benefits were also nearly flat, down \$3,183 (-0.3%) from fiscal 2013. Fiscal 2013 increased \$18,605 (1.9%) from fiscal 2012. In fiscal 2013 the Bookstore filled a vacancy in the accounting department and paid a one-time lump sum of approximately \$11,875 for accumulated retirement benefits earned in previous fiscal years.

General and Administrative expenses increased \$9,935 (3.9%) due in large part to increases in purchased computer services and university administrative assessment fees. General and Administrative expenses decreased \$39,043 (-13.2%) in fiscal 2013 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.

Bank card expense declined \$5,652 (-8.0%) in fiscal 2014 and \$6,875 (-8.9%) in fiscal 2013. Bank card charges continued to decline 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 \$5,086 (-8.0%) from fiscal 2013 and decreased \$841 (-1.3%) in fiscal 2013 from fiscal 2012. A significant decrease in repairs and maintenance expense contributed to the fiscal 2014 decrease. A number of facilities projects were initiated in fiscal 2014 that will be completed in fiscal 2015.

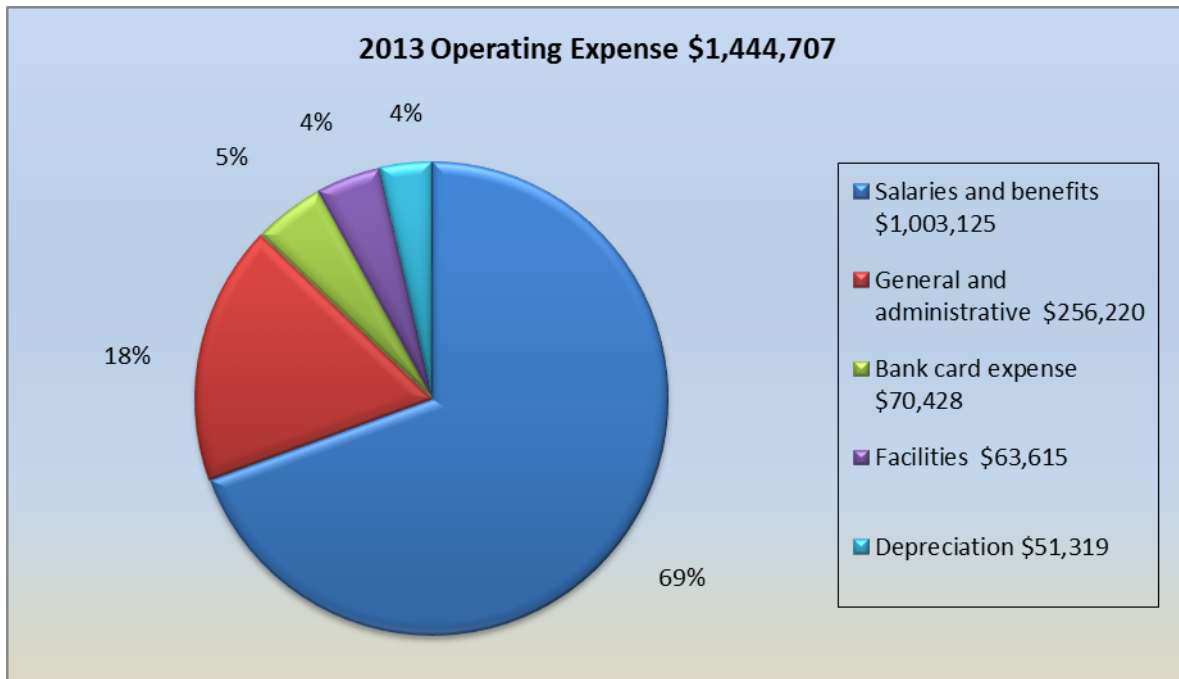
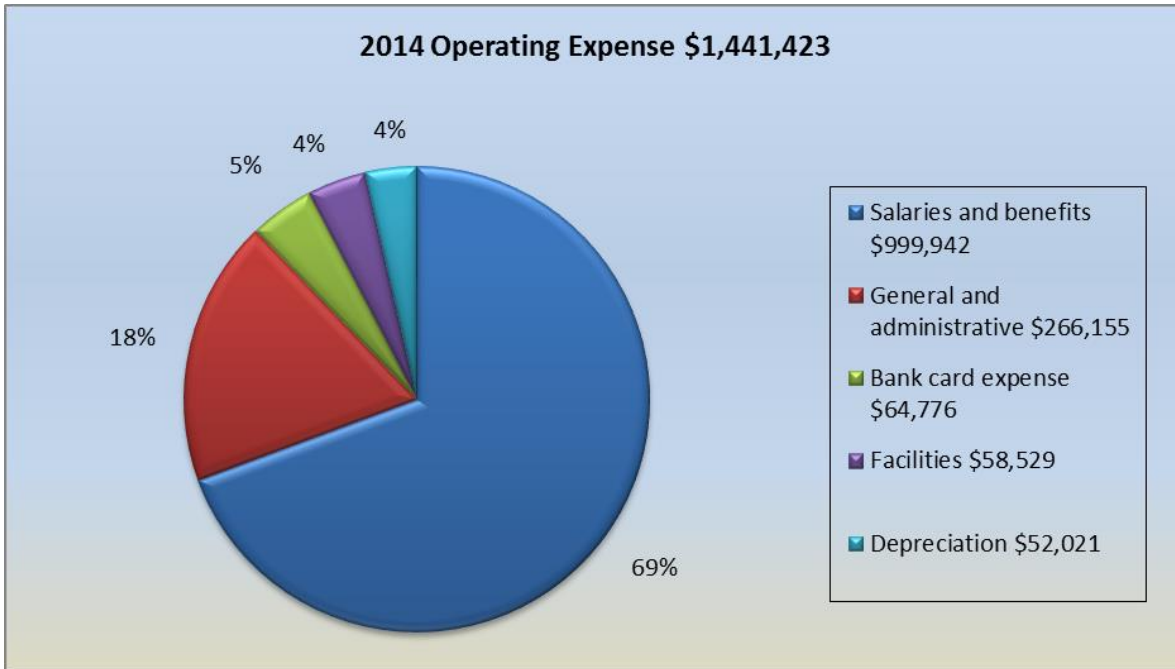
Depreciation expense increased \$702 (1.4%) from fiscal 2013 and \$2,396 (4.9%) in fiscal 2013 compared to fiscal 2012. In fiscal 2013, the Bookstore purchased the Sherpa module, depreciable software used to facilitate the rental of Bookstore textbooks.

Total nonoperating expenses in fiscal 2014 increased \$3,892 (4.7%). A \$50,000 distribution from the ASWWU to the Bookstore offset a \$56,193 (123.8%) increase in the distribution from the Bookstore to the ASWWU. Total nonoperating expenses in fiscal 2013 increased \$33,397 (68.1%) with no distribution from the ASWWU to the Bookstore compared to a \$34,000 distribution to the Bookstore in fiscal 2012. 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, 2014 and 2013

distributions to Athletics based on emblematic sales. Total distributions payable from the Bookstore increased \$54,611 (62.4%) in fiscal 2014 and decreased \$1,356 (-1.5%) in fiscal 2013 from fiscal 2012.



Economic Factors and Significant Events

In fiscal 2014, third party in-store rentals grew significantly. The Bookstore's sell to rent program with affiliate Rafter more than tripling the number of course book titles rented to students. In-store, students rented 794 unique Rafter rental titles up from 259 in fiscal 2013. In a sell to rent transaction, a student rents an in-store course book from Rafter while the Bookstore sells the rented course book to Rafter at regular retail price.

In addition, in-store Bookstore rentals increased with the Bookstore offering 20 unique titles. Students could rent textbooks directly from the Bookstore and return the textbooks to the Bookstore at the end of the quarter.

The "Charge It" program increased in fiscal 2014 and continued to reduce Bookstore credit card fees. This popular program that lets a student charge up to \$600 per quarter of Bookstore purchases to their student account contributes to student success by allowing a student to purchase course materials before receiving financial aid disbursements.

In fiscal 2014, students charged \$2,440,933 to their student accounts an increase of \$344,374 (16.4%) from \$2,096,559 in fiscal 2013. Fiscal 2013 student charges increased \$935,024 (80.5%) from \$1,161,535 charged in fiscal 2012. Student charges were 35.6% and 31.1% of fiscal 2014 and 2013 total sales, respectively.

The trend in Bookstore on-line sales continued to reflect the larger cultural shopping trend. On-line sales increased robustly again in fiscal 2014. On-line textbook sales reached \$2,056,107 (40.6% of all textbook sales) up \$270,647 (15.2%) from fiscal 2013 on-line textbook sales of \$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. Bookstore on-line order policy changed in fiscal 2011 following student shopping preferences, allowing students to order textbooks on-line throughout the quarter without a deadline.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 21, 2014

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

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Associated Students Bookstore (the Bookstore), Whatcom County, Washington, as of and for the years ended June 30, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

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 Students Bookstore, as of June 30, 2014 and 2013, 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 discussed in Note 1, the financial statements of Western Washington University Associated Student Bookstore, a department of the University, 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, 2014 and 2013, 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. 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 12 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.

Other Information

The information identified in the table of contents as the 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,

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in black ink and is positioned below the word "Sincerely,".

TROY KELLEY
STATE AUDITOR

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF NET POSITION

June 30, 2014 and 2013

Assets	2014	2013
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$785,879	\$749,744
Investments (Note 2)	271,322	445,919
Receivables, net of allowance of \$9,965 in 2014 and \$6,903 in 2013 (Note 3)	484,674	390,354
Inventory	975,475	941,848
Prepaid expense	3,330	6,092
Total current assets	<u>2,520,680</u>	<u>2,533,957</u>
Noncurrent assets		
Investments (Note 2)	838,546	592,301
Capital assets, net (Note 5)	1,275,866	1,327,887
Total noncurrent assets	<u>2,114,412</u>	<u>1,920,188</u>
Total assets	<u>4,635,092</u>	<u>4,454,145</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	218,846	219,108
Distribution payable to Associated Students of WWU	101,597	45,404
Distribution payable to WWU Athletics Department	40,478	42,060
Total current liabilities	<u>360,921</u>	<u>306,572</u>
Net Position		
Net investment in capital assets	1,275,866	1,327,887
Unrestricted	2,998,305	2,819,686
Total net position	<u>\$4,274,171</u>	<u>\$4,147,573</u>

ASSOCIATED STUDENTS BOOKSTORE**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Sales, net of discounts	6,857,195	\$6,745,860
Cost of goods sold	5,265,778	5,217,483
Gross margin	1,591,417	1,528,377
Other Operating Revenues	62,909	69,114
Operating Expenses		
Salaries and benefits	999,942	1,003,125
General and administrative expense	266,155	256,220
Facilities expense	58,529	63,615
Depreciation	52,021	51,319
Bank card expense	64,776	70,428
Total operating expenses	1,441,423	1,444,707
Income from operations	212,903	152,784
Nonoperating Revenues (Expenses)		
Investment income	5,770	5,051
Distribution from Associated Students of WWU	50,000	-
Distribution to Associated Students of WWU	(101,597)	(45,404)
Distribution to WWU Athletics Department	(40,478)	(42,060)
Total nonoperating revenues (expenses)	(86,305)	(82,413)
Increase in net position	126,598	70,371
Total Net Position, Beginning of Year	4,147,573	4,077,202
Total Net Position, End of Year	<u>\$4,274,171</u>	<u>\$4,147,573</u>

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF CASH FLOWS

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$6,825,784	\$6,843,684
Payments to employees	(988,880)	(1,005,070)
Payments to suppliers	(5,697,427)	(5,774,496)
Net cash provided by operating activities	<u>139,477</u>	<u>64,118</u>
 Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	50,000	-
Distribution to WWU Athletics Department	(42,060)	(43,069)
Distribution to Associated Students of WWU	(45,404)	(45,751)
Net cash used in noncapital financing activities	<u>(37,464)</u>	<u>(88,820)</u>
 Cash Flows from Investing Activities		
Investment income received	5,770	5,051
Net sales of investments in internal pool	(62,762)	(156,090)
Net cash flows used by investing activities	<u>(56,992)</u>	<u>(151,039)</u>
 Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	-	(13,588)
Net cash used in capital and related financing activities	<u>-</u>	<u>(13,588)</u>
 Net (decrease)/increase in cash and cash equivalents	45,021	(189,329)
 Cash and cash equivalents, beginning of year	749,744	939,073
Cash and cash equivalents, end of year	<u><u>\$794,765</u></u>	<u><u>\$749,744</u></u>
 Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities		
Income from operations	\$212,903	\$152,784
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	52,021	51,319
Change in operating assets and liabilities		
Receivables	(94,320)	28,710
Accounts payable and accrued expenses	(262)	5,112
Prepaid expenses	2,762	52
Inventory	(33,627)	(173,859)
Net cash provided by operating activities	<u><u>\$139,477</u></u>	<u><u>\$64,118</u></u>

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

June 30, 2014 and 2013

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 (WWU). The Associated Students of Western Washington University (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 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 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

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 Bookstore records their share of cash, cash equivalents and investments in the same relation as WWU's investment pool itself. Investment income is allocated to the Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due 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 \$9,965 and \$6,903 at June 30, 2014 and 2013 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 WWU'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, 2014 and 2013

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

WWU, 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

WWU 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, 2014 and 2013

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The Bookstore's operating cash is part of the 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 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 targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

	2014	Weighted Average Maturity (in years)	2013	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$785,879	0.001	\$749,744	0.001
Investments				
Certificates of deposit	109,766	2.033	112,543	0.057
U.S. Treasuries	90,898	1.085	-	
U.S. Agencies	909,204	2.657	925,677	1.311
	<u>\$1,895,747</u>		<u>\$1,787,964</u>	

NOTE 3. RECEIVABLES

Receivables at June 30, 2014 and 2013 include:

	2014	2013
Credits due from publishers	377,877	\$257,539
Accounts receivable	106,797	132,815
	<u>\$484,674</u>	<u>\$390,354</u>

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

June 30, 2014 and 2013

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, 2014. There was a distribution of \$101,597 in fiscal 2014, and \$45,404 in fiscal 2013.

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, 2014 and 2013 were \$40,478 and \$42,060 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2014 and 2013 was \$52,021 and \$51,319 respectively.

Following are the changes in building and equipment for the years ended June 30, 2014 and 2013:

	June 30, 2013	Additions	Retirements	June 30, 2014
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	459,368	-	(15,092)	444,276
	2,326,401	-	(15,092)	2,311,309
Less accumulated depreciation	(998,514)	(52,021)	15,092	(1,035,443)
Building Improvements and Equipment, net	<u>\$1,327,887</u>	<u>(\$52,021)</u>	<u>\$ -</u>	<u>\$1,275,866</u>

	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>

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. 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 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 WWU. WWU'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. During fiscal year ending June 30, 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

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 Bookstore contributed \$51,750, \$50,066 and \$34,992 to these plans in fiscal 2014, 2013 and 2012, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

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 AAL is not available for auxiliary entities. W is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

SUPPLEMENTAL INFORMATION

This page intentionally left blank

FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION
Years ended June 30, 2014, 2013, 2012, 2011, and 2010

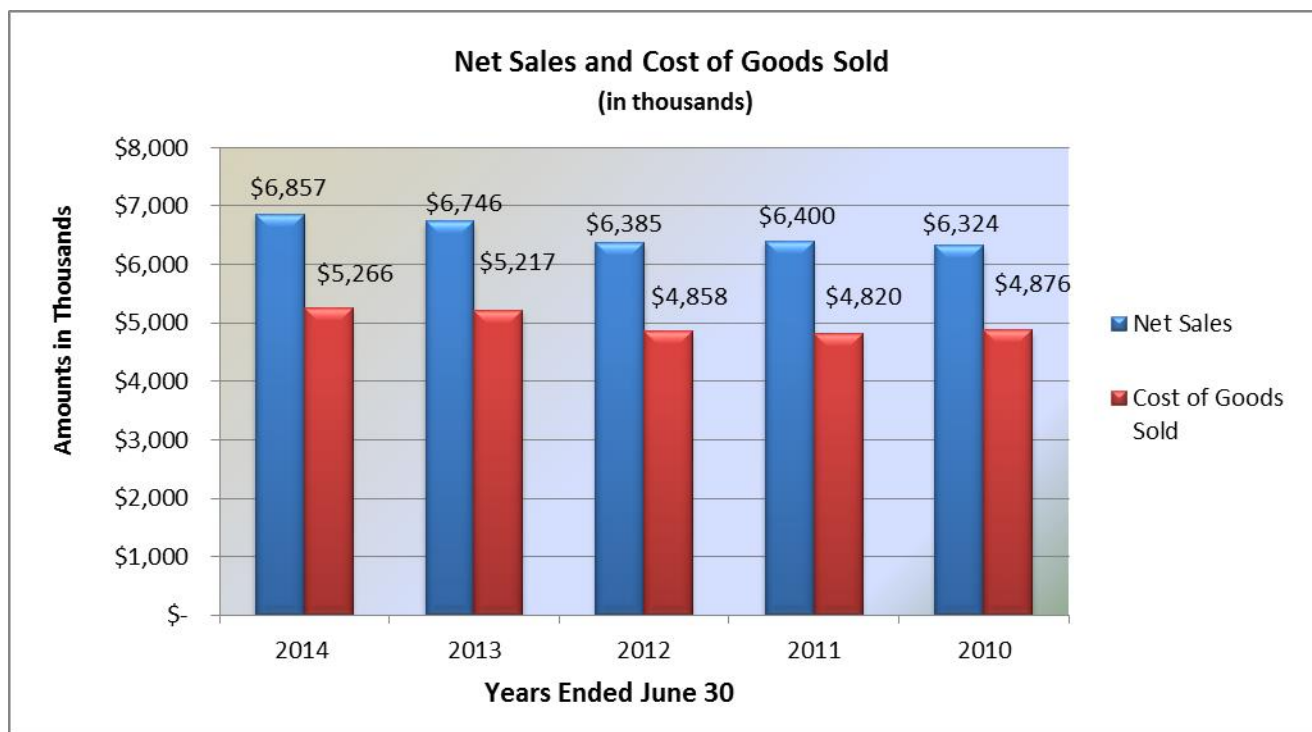
Assets	2014	2013	2012	2011	2010
Current assets	\$2,520,680	\$2,533,957	\$2,583,960	\$2,238,423	\$2,783,788
Non-current assets	838,546	592,301	430,440	518,356	-
Capital Assets	1,275,866	1,327,887	1,365,618	1,414,541	1,463,330
Total assets	<u>4,635,092</u>	<u>4,454,145</u>	<u>4,380,018</u>	<u>4,171,320</u>	<u>4,247,118</u>
Liabilities					
Accounts payable and accruals	218,846	219,108	213,996	89,112	264,371
Due to other WWU departments	142,075	87,464	88,820	75,754	36,497
Total liabilities	<u>360,921</u>	<u>306,572</u>	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>
Total Net Position	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>\$4,077,202</u>	<u>\$4,006,454</u>	<u>\$3,946,250</u>
Current ratio (current assets/current liabilities)	6.98	8.27	8.53	13.58	9.25
Return on assets (change in net position/total assets)	2.7%	1.6%	1.6%	1.4%	0.5%

FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2014, 2013 2012, 2011, and 2010

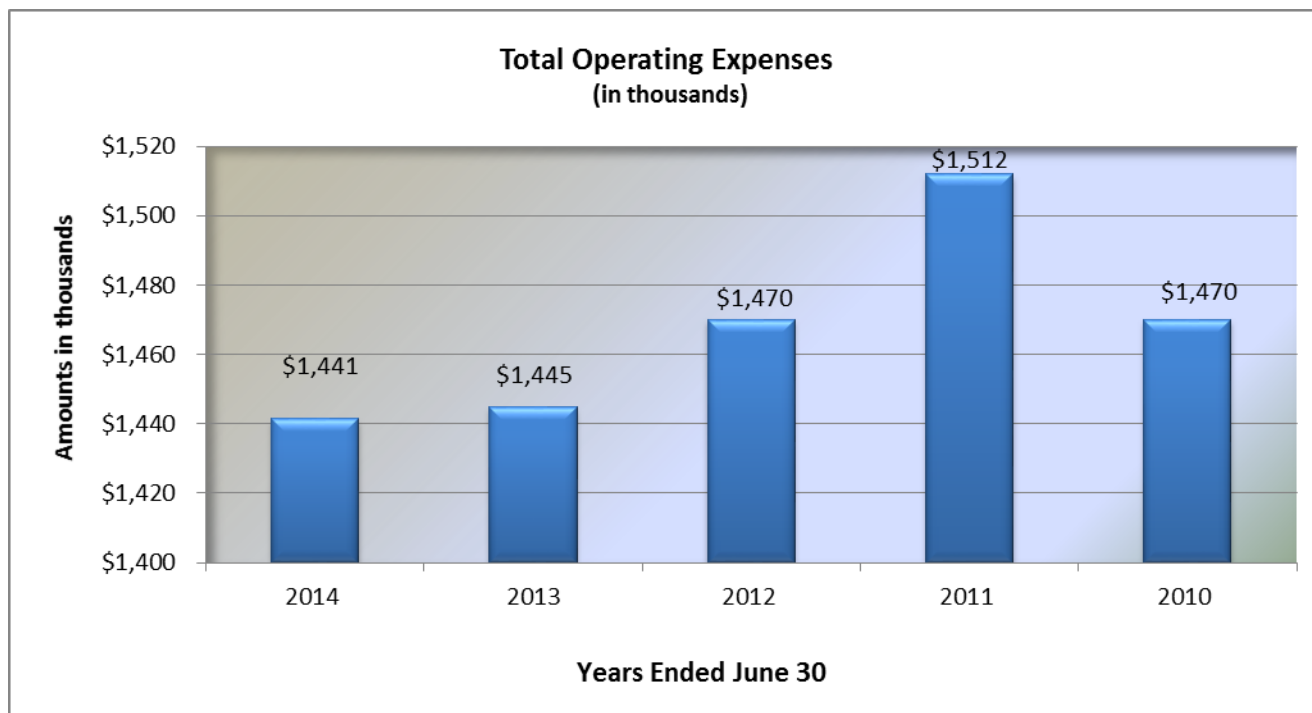
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net sales	\$6,857,195	\$6,745,860	\$6,384,528	\$6,399,545	\$6,323,888
Cost of goods sold	<u>5,265,778</u>	<u>5,217,483</u> *	<u>4,858,228</u>	<u>4,819,995</u>	<u>4,875,830</u>
Gross profit	1,591,417	1,528,377	1,526,300	1,579,550	1,448,058
Other Operating Revenues	62,909	69,114	63,929	61,686	64,827
Operating expenses					
Salaries and benefits	999,942	1,003,125	984,520	1,035,613	1,007,525
General and administrative expense	266,155	256,220	295,263	244,883	242,046
Facilities expense	58,529	63,615	64,456	89,687	68,758
Depreciation	52,021	51,319	48,923	48,789	60,975
Bank card expense	<u>64,776</u>	<u>70,428</u>	<u>77,303</u>	<u>92,925</u>	<u>91,132</u>
Total operating expense	<u>1,441,423</u>	<u>1,444,707</u>	<u>1,470,465</u>	<u>1,511,897</u>	<u>1,470,436</u>
Income (loss) from operations	212,903	152,784	119,764	129,339	42,449
Nonoperating revenues (expenses)					
Investment income	5,770	5,051	5,804	6,619	15,152
Distribution from Associated Students of WWU	50,000	-	34,000	-	-
Distribution to Associated Students of WWU	(101,597)	(45,404)	(45,751)	(35,202)	-
Distribution to WWU Athletics Department	<u>(40,478)</u>	<u>(42,060)</u>	<u>(43,069)</u>	<u>(40,552)</u>	<u>(36,497)</u>
Total nonoperating revenues (expenses)	<u>(86,305)</u>	<u>(82,413)</u>	<u>(49,016)</u>	<u>(69,135)</u>	<u>(21,345)</u>
Increase (decrease) in net assets	<u>\$126,598</u>	<u>\$70,371</u>	<u>\$70,748</u>	<u>\$60,204</u>	<u>\$21,104</u>
Gross profit percentage (gross profit/net sales)	23.2%	22.7%	23.9%	24.7%	22.9%

* 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**

