

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
AGENDA
December 13, 2013**

FRIDAY, December 13, 2013

Location: Old Main 340

Time: 8:00 a.m.

- 1. CALL TO ORDER, APPROVAL OF MINUTES**
8:00 – 8:05
 - Board of Trustees Meeting, October 10, 11 2013

- 2. PUBLIC COMMENT**
8:05 – 8:15

- 3. BOARD CHAIR**
8:15 – 8:25

- 4. UNIVERSITY PRESIDENT**
8:25 – 8:35

- 5. ASSOCIATED STUDENTS**
8:35 – 8:45

- 6. FACULTY SENATE**
8:45 – 8:55

ACTION ITEMS

- 7. CONSENT ITEMS**
8:55 – 9:00
 - Approval of Fall Quarter Degrees

DISCUSSION ITEMS

8. UNIVERSITY PLANNING AND BUDGET PROCESS OVERVIEW

- 9:00 – 9:10 Presentation: Brent Carbajal, Provost and Vice President for Academic Affairs
Richard Van Den Hul, Vice President for Business and Financial Affairs
Hart Hodges, Chair, University Planning & Resource Council
- 9:10 – 9:20 Discussion

9. CAMPUS SCULPTURE PRESENTATION

- 9:20 – 9:30 Presentation: Sarah Clark-Langager, Director, Western Gallery
Kit Spicer, Interim Dean, College of Fine and Performing Arts
- 9:30 – 9:40 Discussion

10. DIGITAL COMMONS AREA IN WESTERN LIBRARY

- 9:40 – 9:50 Presentation: Mark Greenberg, Dean, Western Libraries
- 9:50 – 10:00 Discussion

Break

10:00 – 10:15

11. RECOGNITIONS AND INTRODUCTIONS

- 10:15 – 10:25
- Scott Linneman, Professor, 2013 Carnegie Foundation for the Advancement of Teaching Washington Professor of the Year.

12. REMODEL/EXPANSION OF EDENS NORTH (HOUSING AND DINING CAPITAL PLAN)

- 10:25 – 10:30 Presentation: Eileen Coughlin, Sr. VP & VP for Enrollment & Student Services
- 10:30 – 10:40 Discussion

13. FRONT DOOR TO DISCOVERY

- 10:40 – 10:50 Presentation: Steve Swan, Vice President of University Relations and Community Development
Dan Purdy, Instructor, College of Business and Economics
- 10:50 – 11:00 Discussion

14. CAMPAIGN UPDATE

- 11:00 – 11:05 Presentation: Stephanie Bowers, Vice President for University Advancement
- 11:05 – 11:10 Discussion

15. OLYMPIA UPDATE

11:10 – 11:20 Presentation: Sherry Burkey, Associate Vice President for University Relations and Community Development

11:20 – 11:25 Discussion

16. AUDIT COMMITTEE REPORT

11:25 – 11:30 Presentation: Trustee Dick Thompson, Chair, Board of Trustees Audit Committee

17. INFORMATION ITEMS

11:30 – 11:45

- a. Academic Affairs Report
- b. Quarterly Grant Report
- c. Admissions and Enrollment Report
- d. University Advancement: Foundation and Alumni
- e. Capital Program Report
- f. University Relations and Community Development Report
- g. 2012-2013 University Financial Report
- h. 2013 Housing and Dining Financial Report
- i. 2013 Wade King Student Recreation Center Financial Report
- j. 2013 AS Bookstore Financial Report
- k. 2013 Parking Services Financial Report
- l. Student Right to Know/Clery Act

18. DATE FOR NEXT REGULAR MEETING: February 6, 7, 2014

19. ADJOURNMENT

20. LUNCH

- Faculty Research and Advocacy
 - Jeff Carroll, Assistant Professor, Department of Psychology

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Bruce Shepard
DATE: December 13, 2013
SUBJECT: **Approval of the Minutes**
PURPOSE: Action Items

Purpose of Submittal:

Approval of the Board of Trustees Meeting Minutes.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following minutes:

- a) Approval of the Minutes of the Board of Trustees Meeting, October 10, 11, 2013

Supporting Information:

Minutes of October 10, 11, 2013

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MEETING MINTUES
THURSDAY, OCTOBER 10, 2013**

1. CALL TO ORDER

Chair Peggy Zoro called the regular meeting of the Board of Trustees of Western Washington University to order at 3:02 p.m., Thursday, October 10, 2013 in the Board of Trustees Conference Room, Old Main 340, at Western Washington University in Bellingham, Washington.

Board of Trustees

Peggy Zoro, Chair
Karen Lee, Vice Chair
Betti Fujikado, Secretary
Dennis Madsen
Dick Thompson
Ralph Munro
Sue Sharpe
Heather Flaherty

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Eileen Coughlin, Senior VP, Vice President for Enrollment and Student Services
Richard Van Den Hul, Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Steve Swan, Vice President for University Relations and Community Development
Johann Neem, Faculty Senate President
Carly Roberts, Associated Students President
Lisa Wochos, Assistant Attorney General
Paul Cocke, Director of University Communications
Paul Dunn, Senior Executive Assistant to the President
Barbara Stoneberg, Assistant to the President and Secretary to the Board of Trustees
Elissa Hicks, Assistant Secretary to the Board of Trustees

2. WESTERN ADDRESSING WASHINGTON'S CRITICAL K-12 CHALLENGES

Brent Carbajal, Provost and Vice President for Academic Affairs introduced Francisco Rios, Dean, Woodring College of Education, Maria Timmons Flores, Assistant Professor, Woodring College of Education, and Meagan Dawson, Burlington Edison Schools who presented on the partnerships that Woodring has been cultivating with the local kindergarten through twelfth grade schools in the area to foster a culture of increasing the diversity of Washington's teachers. The different initiatives focus on bilingual education and quality candidates who have a sense of social justice and diversity. Dawson pointed out that current demographics of teachers and leaders are not keeping up with the student demographics which puts students

at a disadvantage. Trustees inquired about the qualifications for candidates and how the Alternatives in Teacher Education program worked.

3. PERFORMANCE BASED FUNDING

Provost Carbajal updated Trustees on the current discussions taking place in Olympia between the Legislature and a stakeholder taskforce regarding performance based funding for education institutions across the state based on the 2013-2015 Operating Budget (3ESSB 5034, Sec. 130 (4)(a)).

Provost Carbajal outlined the proposals that Western is putting forward to the taskforce. These include asking the state to incentivize Western to:

- increase the number of degrees awarded in high demand fields,
- increase the number of degrees awarded to low income students,
- Increase the number of degrees to historically underserved students.

He said that the desired outcomes of the taskforce are a proposed system for new incentive funding based on performance metrics; control and reduction of tuition; efficient utilization of resources including classrooms, labs, online learning and other digital instruction methods; and a methodology for allocating funding for performance on clear metrics agreed to by the taskforce.

Provost Carbajal spoke about the proviso highlights from the legislative bill including; performance metrics that recognize each institutions unique mission; a methodology for establishing a base line level of state funding that would support an increased percentage of people obtaining higher education degrees; meeting high employer demand and the needs of a high technology economy; providing an equitable balance between tuition and state support; providing funding enhancements based on performance and tuition reduction incentives; and a method to direct unspent performance funding to state need grants.

He noted that the taskforce is developing a recommended methodology for establishing baseline funding and current discussions revolve around a simple benchmark means of achieving the national average in state higher education funding per student to achieve a 50/50 balance in state support/student support for the total cost of attending a baccalaureate institution.

Provost Carbajal stated that the conversations so far have been positive and he is grateful that the higher education community has an opportunity to participate with the state policy makers in outlining and defining the performance measures, incentives and baseline state funding.

There was discussion among the Trustees and administration about what motivates people and institutions in performance based programs. It was noted that Western is charged with participating in the process and will continue to participate but a viable and quality delivery of a liberal arts and science education depends on base line funding, with the addition of performance based funding. The point was made that by continuing to focus on Western's values, a strengths and opportunities that exist, and not being naive to potential problems, will put Western in the strongest position moving forward.

4. EXECUTIVE SESSION MAY BE HELD TO DISCUSS PERSONNEL, REAL ESTATE AND LEGAL ISSUES AS AUTHORIZED IN RCW 42.30.110.

At 4:34 p.m. Chair Zoro announced that the Board would convene in Executive Session for approximately thirty minutes to discuss (real estate, personnel, and legal matters.)

The Board returned to open meeting at 5:35 p.m. with no action to report, and adjourned the meeting until Friday morning.

WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
AGENDA
FRIDAY, OCTOBER 11, 2013

1. CALL TO ORDER, APPROVAL OF MINUTES

Chair Peggy Zoro called the regular meeting of the Board of Trustees of Western Washington University to order at 8:05 a.m., Friday, October 11, 2013 in the Board of Trustees Conference Room, Old Main 340, at Western Washington University in Bellingham, Washington.

Board of Trustees

Peggy Zoro, Chair
Karen Lee, Vice Chair
Betti Fujikado, Secretary
Dennis Madsen
Dick Thompson
Ralph Munro
Sue Sharpe
Heather Flaherty

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Eileen Coughlin, Senior VP, Vice President for Enrollment and Student Services
Richard Van Den Hul, Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Steve Swan, Vice President for University Relations and Community Development
Johann Neem, Faculty Senate President
Carly Roberts, Associated Students President
Lisa Wochos, Assistant Attorney General
Sherry Burkey, Associate Vice President for University Relations and Community Development
Paul Cocke, Director of University Communications
Paul Dunn, Senior Executive Assistant to the President
Barbara Stoneberg, Assistant to the President and Secretary to the Board of Trustees
Elissa Hicks, Assistant Secretary to the Board of Trustees

Chair Zoro added an action item to the agenda regarding presidential compensation.

MOTION 10-1-2013: Trustee Munro moved, that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following minutes:

- Board of Trustees Meeting, August 22, 2013
- Board of Trustees Special Meeting, August 23, 2013

The motion passed unanimously.

2. PUBLIC COMMENT

Per Substitute House Bill 2313, time was provided for public comment at the October 11, 2013 regular meeting of the Board of Trustees. There were no requests for public comment.

3. RECOGNITIONS AND INTRODUCTIONS

- **Brian Burton, Associate Vice President of Academic Affairs**

Brent Carbajal, Provost and Vice President for Academic Affairs introduced Brian Burton, former dean of the College of Business and Economics, who was appointed Associate Vice President for Academic Affairs on September 30th. Burton will head up the Academic Budget Office, overseeing a number of staff and interdisciplinary programs, and will coordinate strategic planning with the provost.

Burton has been at Western since 1995, and has served as MBA program director and associate dean. He earned his bachelor's degree in journalism, an MBA in management, and PhD in strategic management and philosophy, all from Indiana University. He has published papers in major philosophical and empirical journals in the social issues in management field, including Business Ethics Quarterly, Journal of Business Ethics, Business & Society, and Teaching Business Ethics. Burton is married with two sons; an avid historian, he has also published two books on the Civil War.

- **Craig Dunn, Interim Dean, College of Business and Economics**

Provost Carbajal introduced Craig Dunn, former Associate Dean of the College of Business and Economics (CBE) who was appointed to serve as Interim Dean for CBE serving until as a national search takes place for a permanent dean.

Dunn, who began at Western in 2005, has an MBA from California State University, Bakersfield and a doctorate in Business Policy/Strategy from Indiana University. He also is an Associate Professor at Western and an Associate Professor Emeritus of San Diego State University, in both instances specializing in business and society issues. He is active in the International Association for Business and Society (IABS) – publisher of the journal Business & Society – serving on the Board of Fellows as well as past president. Dunn is widely published and he has received numerous awards for teaching and scholarship.

- **Susan Cahill, Outstanding Classified Staff Award Recipient**

Provost Carbajal introduced Susan Cahill who is a Supervisor of Certification and Accreditation at Woodring College of Education. For nearly ten years, Cahill has been making sure that Woodring students are on track to become certified, assisting them down their paths in any way she can. Before working in higher education, she worked for the Olympia School District as the assistant to the director for Special Programs at Olympia High School. She earned her bachelor's degree in Government and Journalism from California State University in Sacramento, and after graduation she was a legislative reporter for the League of Women Voters.

The Outstanding Classified Staff Award recognizes an individual who exemplifies a positive and creative approach to problem solving and innovation that significantly advances departmental goals and/or University Mission. With the support of the President, the two classified staff unions on campus (WFSE and PSE) together select one of their members to receive this award.

- **David Davidson, Professional Staff Award of Excellence Recipient**

Provost Carbajal and Don Alper, Director of Canadian-American Studies Program, introduced David Davidson who is an Associate Director at the Border Policy Research Institute. Davidson has served as the Associate Director of the Border Policy Research Institute (BPRI) at Western since 2005. Before his position at BPRI, he served as the City Administrator in Sumas for eight years and has gained a wealth of experience with the border between Whatcom County and Canada over the last 20 years. He earned his master's degree in Computer Science from the University of Virginia and a master's degree in Public Administration from the University of Washington.

The Professional Staff Organization Award for Excellence annually recognizes a professional staff employee for an assortment of exceptional efforts and contributions to Western.

- **Steven Sulkin, Diversity Achievement Award Recipient**

Provost Carbajal introduced Steven Sulkin, the retired former Director of the Shannon Point Marine Center. Steve had been at Western since 1985 and was the director of the Shannon Point Marine Center for 28 years before his retirement this past summer. Sulkin developed the Minorities in Marine Science Undergraduate Program, which introduces Native American, Alaskan Native, African American, Latino/Hispanic and Pacific Islander students to the possibility of pursuing careers in the marine sciences. He earned his master's and doctorate in Marine Biology from Duke University in 1971. Sulkin has been on the editorial board of the scientific journal Estuarine, Coastal and Shelf Science since 1990.

The Diversity Achievement Award recognizes outstanding contributions to enhancing multiculturalism on campus and beyond. The award comes with a \$1,500 stipend for use in research, teaching or professional enhancement, made possible by the Western Foundation.

- **David Willett, Philip E. Sharpe Jr., Community Engagement Award Recipient**

Provost Carbajal introduced David Willett who is the project manager for the Office of Facilities Development and Capital Budget at Western. Outside the university, Willett is an active community volunteer. He has been a board member of With Change in Mind, a company that creates humanitarian travel adventures. He has volunteered at Bellingham's Lighthouse Mission, and since 2010, he has been a member of the City of Bellingham's Design Review Board. On a recent service trip to manage the construction of a playground for an orphanage in Malawi, Africa, he taught the older children to mix concrete, read plans, and help with the project, while learning new skills.

The Philip E. Sharpe, Jr. Community Engagement Award is given in recognition of a faculty or staff member or group of Western employees involved in outstanding community service, including outreach and engagement activities that benefit the well-being of the community or an individual(s) in the community.

- **Multi-Purpose Field Team, Team Recognition Award Recipients**

Eileen Coughlin, Senior VP, Vice President for Enrollment and Student Services introduced the Multi-Purpose field team, noting that several years ago the campus recognized a need for a year-round multi-purpose field that would be available to all students, sport clubs and varsity athletics. Making this vision a reality required several years of close collaboration between 26 staff, students and faculty members from across the campus. Thanks to their cooperative

approach, transparent communication and hard work, Harrington Field, currently under construction on the south end of Western's campus, will greatly improve campus life for current and future generations of Western students, faculty and staff.

Individual Team Members: Mark Bagley, Western Foundation; Linda Beckman, Enrollment and Student Services; Rick Benner, Facilities Development/Capital Budget; Mark Brovak, University Advancement; Steve Brummel, Athletics; Steven Card, Athletics; Travis Connell, Athletics; Clark Cripps, Campus Recreation; Lynda Goodrich, Athletics; Teresa Hart, Treasury Services; Tamara Jansen, Recreation Center Advisory Committee; Adam Leonard, Campus Recreation; Barbara Lewis, Business Services; Pete Lockhart, Campus Recreation; Sally McKechnie, Business Services; Justin Moore, Recreation Center Advisory Committee; Sara Nichols, Western Foundation; Kunle Ojikutu, Enrollment and Student Services; Sara Richards, AS Board; Diana Rosen, Facilities Development/Capital Budget; Marie Sather, Campus Recreation; Ed Simpson, Facilities Development/Capital Budget; Amy Suiter, Athletics; Brian Sullivan, Business and Financial Affairs; Mike Ulrich, Accounting Services; David Willett, Facilities Development/Capital Budget.

4. BOARD CHAIR

Trustee Zoro gave an oral report of the Board special meeting from August 23rd. Zoro said that the Trustees discussed Western's progress over the last five years, and looked strategically ahead for the years to come. They discussed internal and external opportunities for the university, and how to effectively provide mentoring and orientation to the new board members. Chair Zoro also explained the process that the Board goes through to make a decision and that thoughtful consideration of all the facts and discussion go into each and every decision and proposal that comes before the board.

5. UNIVERSITY PRESIDENT

President Shepard started by congratulating Trustee Karen Lee and pointing out that the Seattle Times had a great article spotlighting Pioneer Human Services and its impact in the Puget Sound community. Shepard then talked about the new academic year and the new programs that have begun at the University.

He introduced the Trustees to the six questions he posed at Opening Convocation and how he will interact and gather information from the Western community over the coming year.

1. How can we most effectively respond, university-wide, to the changing demography of Washington high school graduates and transfers?
2. What can we do, right here at Western, to keep access to a quality college education affordable?
3. How do we make sure, in the years ahead, we are not as White as we are today?
4. When it comes to our goal of applying strengths to Washington's needs, what should we give priority to doing off of our campus?
5. How is Western going to play in a future where leading universities, of necessity, are fully globally engaged?
6. What, in the years ahead, are to be the roles of the liberal arts and sciences at Western?

6. ASSOCIATED STUDENTS

AS President Carly Roberts outlined some of the ideas that the AS Board will be focusing on this year which include, adding diversity and inclusion questions to teacher evaluations, starting a rental advocacy program on campus, and adding a local liaison/external relations position to the AS employment positions. Roberts also highlighted the AS's successful voter registration drive on campus this fall that managed to register more students than any other in state institutions.

7. FACULTY SENATE

Johann Neem, Faculty Senate President provided an update about happenings within the Faculty Senate. Neem stated that the academic coordinating commission which oversee curriculum is assisting with transitions within programs like engineering.

8. CONSENT ITEMS

Chair Zoro introduced the consent item and Vice President Richard Van Den Hul provided a brief summary of the proposed work for Consultant Contract Award for North Campus Utility Upgrade, PW678.

MOTION 10-2-2013: Trustee Munro moved that the Board of Trustees of Western Washington University, on the recommendation of the President, approves the following consent item:

- Consultant Contract Award for North Campus Utility Upgrade, PW678

The motion passed unanimously.

9. AMENDMENT TO PRESIDENT'S EMPLOYMENT CONTRACT

Chair Zoro introduced this agenda item that was added at the beginning of the meeting. President Shepard excused himself from the room so that people could speak freely. Chair Zoro said how pleased the Board of Trustees have been with the outstanding leadership that Western has experienced since President Shepard arrived, his commitment to transparency, the incredible leadership team he has built and his consistently excellent yearly comprehensive evaluations. Chair Zoro said that the Board is proposing a four percent salary increase for the President. She said that the Board wanted to express their appreciation for all he does for the University. The Trustees praised Shepards leadership and the direction that Western is headed. Chair Zoro noted that they were recognizing him at the same percentage level increase that Western's excellent faculty and staff recently received.

MOTION 10-3-2013: Trustee Thompson moved, that the Board of Trustees of Western Washington University approve Amendment No. 1 to the Employment Contract for President Bruce Shepard to increase the President's annual salary by 4 percent to \$312,000 beginning on today's date. All other terms and conditions are to remain the same.

The motion passed unanimously.

Chair Zoro announced a break at 8:59 am. The board returned and reconvened the meeting at 9:23 am.

10. FALL OPENING

President Shepard asked Eileen Coughlin, Sr. VP & VP for Enrollment & Student Services to present the next item. Coughlin started by providing numbers for this year's enrollment at Western:

- Total enrollment for 2013 14,950, a 1% increase.
- Undergraduate enrollment also saw a 1% increase.
- Western's yield is up 1.5% (admitted students vs. enrolled).
- Freshman class total of 2,792.
- Transfer students total of 938.
- Non-resident students total of 12%, a decrease of 1%.
- Graduate education was down for fall. Continuing students were down from program phase outs, and up in graduates for continuing programs, but not enough to offset the decrease.
- Extended education is up, but is a small part of total enrollment.

Coughlin said that there has been a small decrease (3.45 in 2012 to 3.42 2013) in the average incoming GPA score, but that small of a change is not a concern, because Western's commitment to diversity is much more important. She noted that those small changes indicate Western is serving under represented students and serving the needs of all the students of the state. Coughlin added that she is pleased with this year's strong enrollment and incoming freshman class.

Trustee Lee asked about the diversity of the incoming freshman class asking if there are enough support services to support this increased diversity. Coughlin said that this freshman class is 25 percent students of color, and her division is looking at how to improve services to those students and is developing a plan to assess the effectiveness of those services.

There was also discussion about the drop in transfer student rates and the overall enrollment of graduating seniors across the state. Coughlin explained that there are fewer high school graduates overall and that translates to fewer incoming students throughout the state.

11. SERVICE LEARNING IN SOUTH AFRICA

Brent Carbajal, Provost and Vice President for Academic Affairs introduced Vernon Johnson, Professor, Political Science Department along with students Kara Kepple and Ruta Nanivadekar. Johnson provided a brief overview of the class that he teaches which qualifies for both political science and human service credits, Political Science 437g and Human Services 437g, South Africa: Nongovernmental Organizations in Development. The class is designed to offer students a service-learning experience which combines academic instruction with community-based learning through service projects that meet community needs. The class offers students the opportunity to explore the richness and diversity of African communities, while examining social justice issues, and making a contribution to the well-being of the community at large. Johnson said the students explore the growing role of nongovernmental organizations (NGOs) in bringing community development to this dynamic and promising African country. The class embodies the instructors' belief that citizen to citizen and community to community networks are an essential component of sustainable international development.

Student Kara Kepple gave a brief presentation of her human services research regarding, "Living in Privilege, Living in Adversity: Experiences of Women in South Africa." Student Ruta Nanivadekar also gave a presentation of her political science and Sociology research regarding, "African Immigrants in South Africa."

Trustees had questions about the program in general and what kind of students, degrees and interest fields participate in this kind of study abroad program. Johnson said there are more human service students; but that they have had students from almost every major on campus participate at one time or another.

12. CAMPAIGN UPDATE

Stephanie Bowers, Vice President for University Advancement reported on the University Campaign, stating that the campaign was at \$31.8 million dollars as of October 11, 2013. Bowers said she is pleased with the progress of the campaign and is grateful for the strong team that is working in her division and for all the great inroads that they have made throughout this process. She mentioned a recent donation to the campaign from former state Senator Harriet Spanel to name the planetarium in honor of her deceased husband and former physics professor Les Spanel..

13. AUDIT COMMITTEE REPORT

Trustee Dick Thompson, Chair of the Board Audit Committee, gave a brief report of the meeting that took place on Thursday, October 10th. Thompson reported that the committee was introduced to Western's new information technology security specialist and how impressed he was with the levels of computer security here at Western. There was discussion on the new Standards & Poor rating of A+ that Western had received. The Audit committee also had their annual entrance interview with the State Auditor's office about what to expect from their independent audit.

14. COMMITTEE ON TRUSTEES REPORT

Trustee Karen Lee, Chair of the Board Committee on Trustees provided a brief report from the Board Committee on Trustees from October 10th. Lee said the group focused their discussions on how to prepare for the future turnover of the Board and how to effectively orientate newly appointed board members.

15. INFORMATION ITEMS

a) Academic Affairs Report

Provost Carbajal provided a written report about Westerns newest tenure track faculty members.

b) Quarterly Grant Report

Provost Carbajal provided a written report regarding information from the Office of Research and Sponsored Programs concerning grant awards for the period of April 1, 2013 through June 30, 2013 and fiscal year 2012/13.

c) University Advancement Report

Vice President Bowers provided a written report on the university's Alumni Relations and Western Foundation activities.

d) Capital Program Report

Vice President Van Den Hul provided a written report on the university's capital projects. There was also a update regarding the altered schedule of the multi-purpose field project and the reason for the delays.

e) University Relations and Community Development Report

Vice President Swan provided a written report documenting recent activities of University Relations and Community Development.

f) WWU Annual Report

A copy of Western's Annual Report was provided to the Trustees. Western Washington University's Annual Report is a look back at the many accomplishments of students, faculty and staff throughout the past year.

g) Internal Auditor Annual Report

Kim Herrenkohl, WWU Director of Internal Audit provided the Board the annual overview of 2012-2013 operations of the Office of the Internal Auditor. The report included descriptions of internal audit services, results of audit and investigative activities, goals for the upcoming academic year, and the 2013-2015 Internal Audit Schedule.

h) 2014 Washington Higher Education Sustainability Conference Update

Vice President Van Den Hul provided a written update of the 2014 Washington Higher Education Sustainability Conference, which will be hosted by and held at Western Washington University on February 6 and 7, 2014.

Chair Zoro announced a break at 10:55 am. The board returned and reconvened the meeting at 11:05 am.

16. CONVERSATIONS ON HIGHER EDUCATION AND REVENUE CHALLENGES FACING WASHINGTON STATE

President Shepard introduced Representative Reuven Carlyle, 36th District Representative and Chair of the Washington State House of Representatives Finance Committee and is a member of the House Appropriations Committee and House Appropriations Subcommittee on Education. Carlyle proceeded to discuss this past legislative session in Olympia and the legislatures thinking about higher education and various funding aspects. He talked about the fact that higher education policy and funding opportunities are changing and members are feeling that change and trying to formulate language to reflect that change.

There was discussion with the Trustees regarding performance measures and underserved student populations and how those two different ends of the spectrum can coexist in the higher education realm. Carlyle agreed that institutions need to take chances and that services need to be available so that everyone has the same opportunity to succeed adding that graduate completion rate is what really matters.

Trustees discussed how much support the state institutions should expect from the legislature and from Governor Inslee's administration in the coming years. Carlyle said Western has been historically an active player in engaging the legislature and administration and that will continue to be beneficial in the years to come. He noted that there are proposals that will be introduced in the coming years and the information that Western provides helps to shape proposals and has had a huge impact on members' ability to make a difference for this institution. Carlyle said he believes that Governor Inslee has some focused areas of interest in higher education such as research and development, but not necessarily higher education as a whole. Carlyle added that he is optimistic about Inslee's support for education overall.

Carlyle discussed the recent emergence of online schools and how they are changing brick and mortar schools. He said there still needs to be some long term data regarding these kinds of programs and that legislative policy shouldn't necessarily change until that data has been thoroughly vetted. Trustees asked about Carlyle's view on time to degree and credits to degree and the difference between the two in regards to funding. The DREAM Act was also a point of discussion. Carlyle believes that education is the only path forward for both individuals and society as a whole, and that it needs to be open for all to be able to create educated citizens, not just workers.

17. DATE FOR NEXT REGULAR MEETING: December 12, 13, 2013

18. The meeting adjourned at 11:58 a.m.

19. LUNCH

The Trustees and invited guests enjoyed an Overview of the New Nursing Program at Western presented by Dr. Casey Shillam, Director, Nursing Program and Jill Mount, PhD, RN, Assistant Professor during lunch in the Solarium.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Bruce Shepard, President

DATE: December 13, 2013

SUBJECT: **Public Comment Period**

PURPOSE: Information Item

Purpose of Submittal:

Substitute House Bill 2313, effective June 7, 2012, restates that governing boards of all institutions of higher education follow procedures for open public meetings in the Open Public Meetings Act. It also requires that Governing boards provide time for public comment at regular meetings.

Persons wishing to comment will sign in between 7:30 a.m. – 7:55 a.m. the day of the Board of Trustees meeting. The signup sheet will be given to the Board Chair at 8:00 a.m.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Peggy Zoro, Chair, Board of Trustees
DATE: December 13, 2013
SUBJECT: **Board Chair Report**
PURPOSE: Information Item

Purpose of Submittal:

Board Chair Peggy Zoro will report to members of the Board and President Shepard and his staff on topics related to the Board of Trustees.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Bruce Shepard, President

DATE: December 13, 2013

SUBJECT: **President's Report**

PURPOSE: Information Item

Purpose of Submittal:

President Shepard will present brief reflections on issues of interest to the Board.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard on behalf of the Associated Students

DATE: December 13, 2013

SUBJECT: **Associated Students**

PURPOSE: Associated Students Report

Purpose of Submittal

To update the Board of Trustees on the legislative agendas of the WWU Associated Students and the Washington Student Association

Supporting Information

WWU Associated Students Legislative Agenda

The Associated Students is currently in the process of assembling our legislative agenda for the coming session. The approval of the document is scheduled to be on the agenda for the Wednesday December 11th meeting of the AS Board of Directors. A handout with the final legislative agenda will be provided on the morning of December 13th.

Washington Student Association Legislative Agenda

Despite weather troubles causing a last-minute vehicle shuffle, Western Washington University's delegation of 13 students was the largest at the November 16th General Assembly of the Washington Student Association. During this meeting, students from each of the 11 member campuses (all public WA universities, plus Bellevue College) constructed the WSA Legislative Agenda. Of the eight issues proposed, six were authored by WWU students. All three of the issues selected as Legislative Priorities were authored by WWU students.

Legislative Priorities:

- DREAM Act
- Voter Accessibility
- In-State Tuition for Veterans

Other Items:

- Local Funding Options for Transit
- Opposing Differential Tuition
- State Funding for Advising at Critical Academic Transitions
- Pay-it-Forward Pilot Program
- Dedicated Revenue for Higher Education

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard behalf of the Faculty Senate

DATE: December 13, 2013

SUBJECT: **Faculty Senate**

PURPOSE: Information Item

Johann Neem, Faculty Senate President, will brief the Board on recent activities of the Faculty Senate.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Bruce Shepard by Provost Brent Carbajal
DATE: December 13, 2013
SUBJECT: **Approval of Fall Quarter Degrees**
PURPOSE: Action Item

Purpose of Submittal:

Board of Trustees responsibility to approve awarding of degrees

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the faculty and subject to the completion of any unmet requirements, approves awarding undergraduate and graduate degrees to the candidates listed in the files of the Registrar and Graduate Dean, for Fall Quarter 2013, effective December 14, 2013.

Supporting Information:

Lists on file with the Registrar and Graduate Dean.

| <i>Students</i> | <i>December 2013</i> | <i>Comparison: December 2012</i> |
|------------------------|-----------------------------|---|
| <i>Undergraduates</i> | 594 | 620 |
| <i>Masters</i> | 42 | 38 |

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by:
Brent Carbajal, Provost and Vice President for Academic Affairs
Richard Van Den Hul, Vice President for Business and Financial Affairs
Hart Hodges, Chair, University Planning and Resource Council

DATE: December 13, 2013

SUBJECT: **University Planning and Budget Process Overview**

PURPOSE: Discussion Item

Purpose of Submittal:

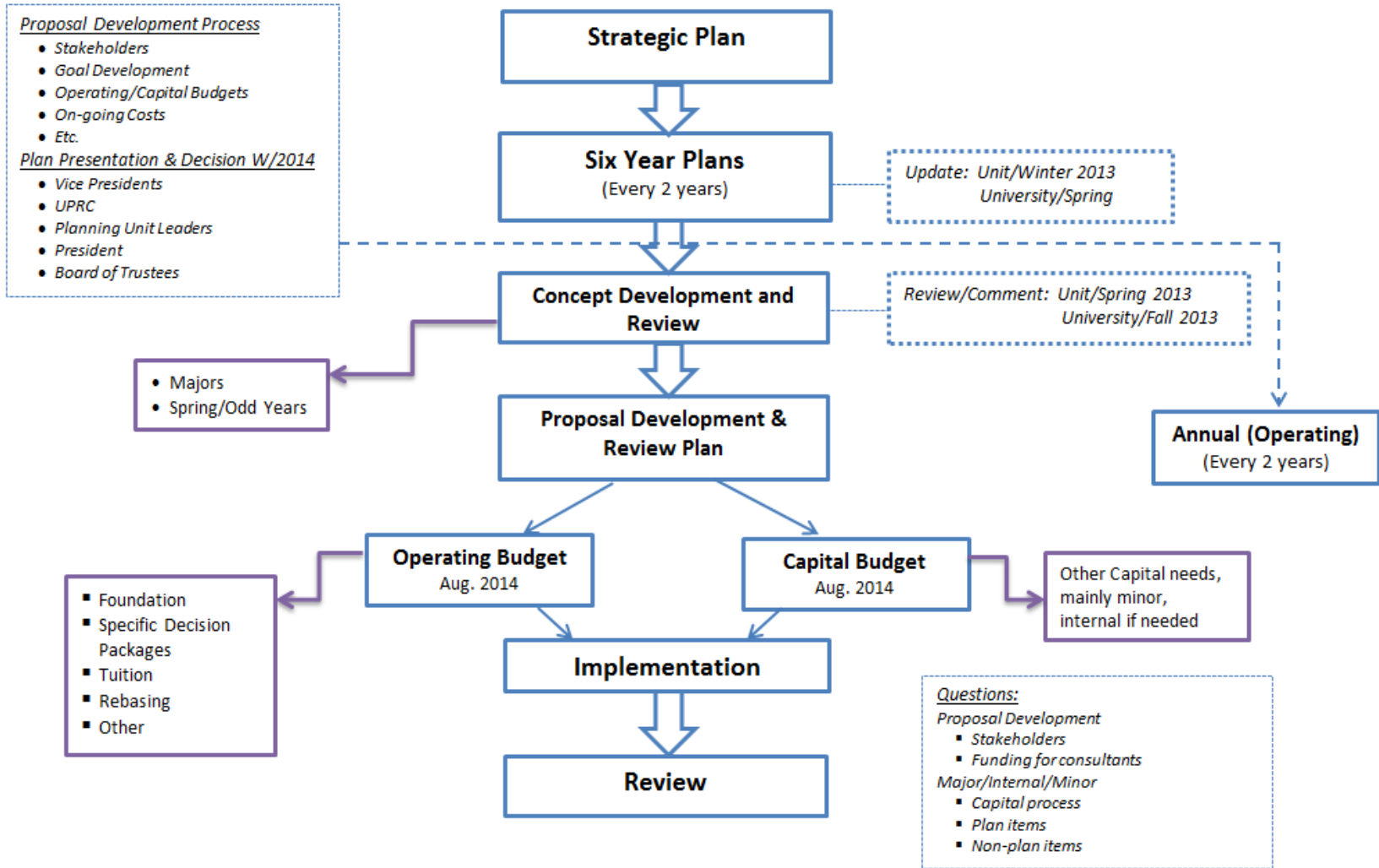
Provost Brent Carbajal, Vice President Van Den Hul, and Dr. Hart Hodges, Associate Professor, Economics / Chair, University Planning and Resource Council, will provide an overview of the University's planning and budget process.

University Planning and Budget Process Overview

Board of Trustees
December 13, 2013



Six Year Strategic Plans to Operating/Capital Budgets



WESTERN WASHINGTON UNIVERSITY
Operating Budget Planning Activities
Year One of Biennium 2013-15 and FY2013-14

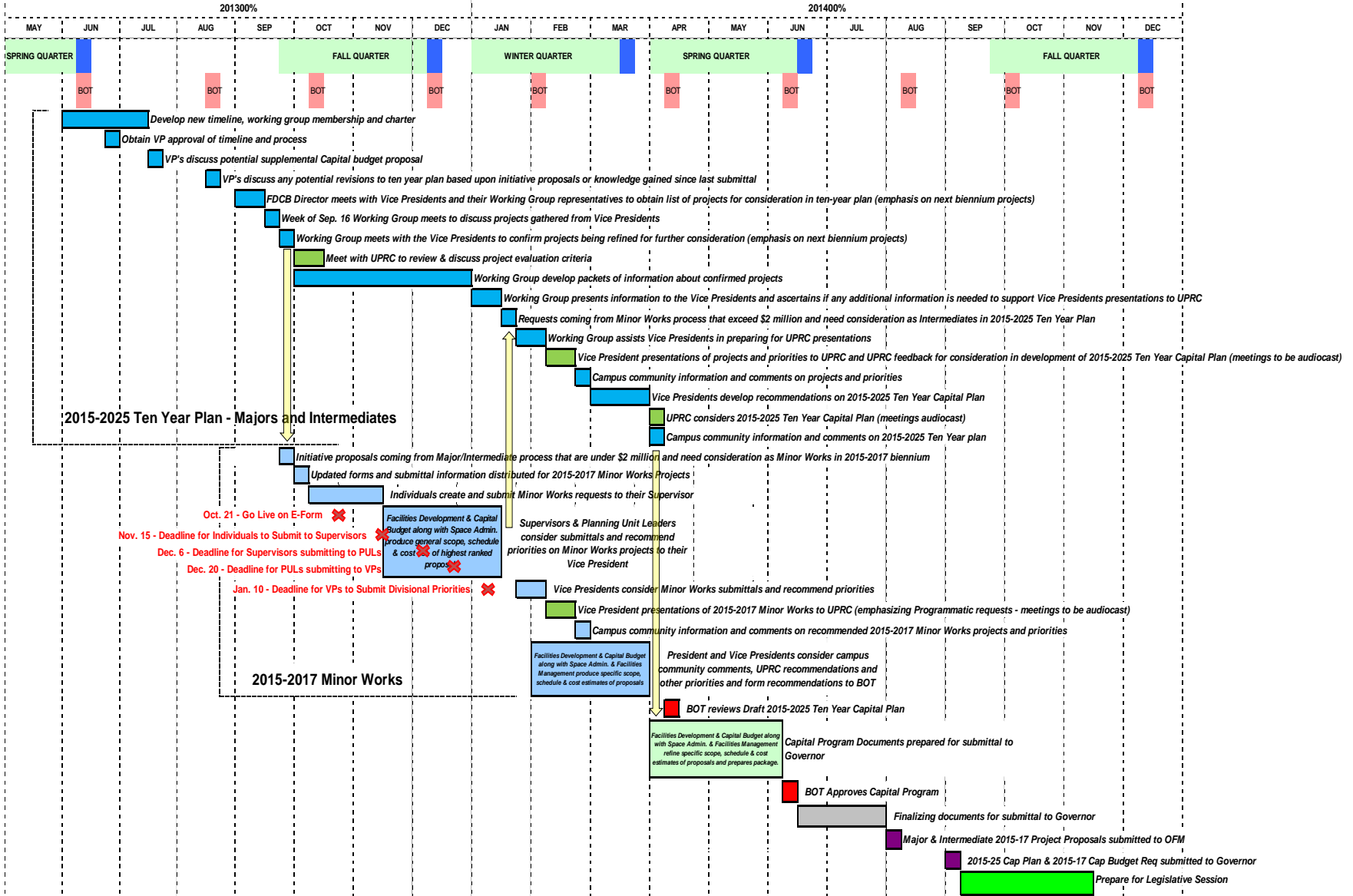
| | | | Planning Activities/Events | |
|-----------------|---------------|--|--|--|
| Date | Olympia Dates | WWU Dates | Biennial Budget Request 2015-17 | FY15 Annual Operating Budget Modifications (starts during 2013-14) |
| Jul 2013 | 1 : | | | FY2013-14 begins on July 1, 2013 (Year 1 of the 2013-15 Biennium) |
| | 18 : | Special BOT Meeting | | |
| Aug | 12 : | 2013-15 initial allotments due | | |
| | 19-23 : | Finals Week | | |
| | 22-23 : | BOT Meeting | | |
| | 24 : | Commencement | | |
| Sep | 18 : | State revenue forecast | Unit Planning Groups and Planning Unit Leaders start reviewing Initiative Proposals, review concepts from prior year, and explore emergent areas | |
| | 25 : | Fall Quarter Begins | | |
| Oct | 2 : | | | |
| | 4 : | 2014 Supplemental budget due | | |
| | 10-11 : | BOT Meeting | | |
| | 16 : | UPRC Meeting | | |
| | 30 : | UPRC Meeting | | |
| Nov | 13 : | | Budget Calendar and Decision Package Criteria to UPRC | |
| | 20 : | State revenue forecast | | |
| | 26 : | | Instructions for Biennial Process sent to VPs by Budget Office | |
| | 27 : | | Planning Units begin working bottom-up to identify 2015-17 biennial requests in the form of decision packages from review work accomplished in the fall. Each VP to provide internal timeline and additional directions within the division. | |
| Dec | 4 : | | | |
| | 9-13 : | Finals Week | | |
| | 12-13 : | BOT Meeting | | |
| | 14 : | Commencement | | |
| | 24 : | Governor's Supplemental budget to Legislature (or earlier) | | |
| Jan 2014 | 7 : | | | |
| | 13 : | 60-day Legislative Session Begins | | |
| | 15 : | | | |
| | 17 : | | | |
| | 29 : | | | |
| Feb | 6-7 : | | | |
| | 12 : | | | |
| | 19 : | State revenue forecast | | |
| | 21 : | | 2015-17 Decision Package proposals due to Budget Office to be posted on the web for comment until 3/14 | |
| | 26 : | | | |
| | | UPRC Meeting | VPs present proposals to UPRC and Planning Unit Leaders; audio-cast to campus (plan for 3 hours) | |

| | | | Planning Activities/Events | |
|------|---------------|---------------------------------|------------------------------------|---|
| Date | Olympia Dates | WWU Dates | Biennial Budget Request 2015-17 | FY15 Annual Operating Budget Modifications (starts during 2013-14) |
| Mar | 5 | | Special UPRC Meeting | VPs present proposals to UPRC and Planning Unit Leaders; audio-cast to campus (plan for 3 hours) |
| | 12 | 60-day Legislative Session Ends | UPRC Meeting | Receive feedback from UPRC on presentations |
| | 14 | | | Final Day of comment period |
| | 17 | | | President, VPs & Deans develop recommendation list from 2015-17 Decision Package Proposals |
| | 17-21 | | Finals Week | |
| | 20 | | | President recommends 2015-17 decision package proposals to be included in biennial budget request; recommendation posted on Budget Office web site for comment until 3/25 |
| | 22 | | Commencement | |
| | 24-31 | | Spring Break | |
| Apr | 1 | | Spring Quarter Begins | FY 2014-15 Emergent Issues proposals due to Budget Office to be posted on the web for comment until 4/25 |
| | 3-4 | | BOT Meeting | Special report by President to the Board on applying WWU's strengths to critical state needs; a review of potential decision packages included |
| | 7 | | | Planning units work with Budget Office to cost and write decision packages to be included in 2015-17 biennial request. |
| | 8 | | President's Cabinet Meeting | Final Feedback on Decision Packages |
| | 9 | | UPRC Meeting | Final Feedback on Decision Packages |
| | 16 | | Special UPRC Meeting | VPs present proposals to UPRC and Planning Unit Leaders; audio-cast to campus (plan for 3 hours) |
| | 23 | | UPRC Meeting | VPs present proposals to UPRC and Planning Unit Leaders; audio-cast to campus (plan for 3 hours) |
| | 25 | | | Final Day of comment period |
| | 28 | | | President, VPs & Deans develop recommendation list from FY 2014-15 Emergent Issues Proposals |
| May | 2 | | | VPs and Deans' recommendation due to the Budget Office and posted to Budget Office website for comments until 5/16 |
| | 7 | | President's Cabinet Meeting | Feedback from President's Cabinet on VPs/Deans' recommendation |
| | 7 | | UPRC Meeting | Feedback from UPRC on VPs/Deans' recommendation |
| | 16 | | | Final Day of comment period |
| | 21 | | UPRC Meeting | |
| June | 4 | | UPRC Meeting | |
| | 6 | | | President's 2014-15 recommendation mailed to BOT and posted to Budget Office Website |
| | 9-13 | | Finals Week | |
| | 12-13 | | BOT Meeting | Proposed FY 2014-15 Annual Budget Request presented to BOT for approval |
| | 14 | | Commencement | |
| | 18 | State revenue forecast | | |
| | 24 | | Summer Quarter Begins | |

| | | | Planning Activities/Events | |
|------|---------------|-----------|------------------------------------|---|
| Date | Olympia Dates | WWU Dates | Biennial Budget Request 2015-17 | FY15 Annual Operating Budget Modifications (starts during 2013-14) |

| | | | | |
|---------------------------|--|-------------|--|--|
| Jul 2013 | 1 : | | | FY2014-15 begins on July 1, 2014 (Year 2 of the 2013-15 Biennium) |
| Aug | 15 : | | President's 2015-17 Biennial budget recommendation mailed to BOT and posted to Budget Office Website | |
| | 21-22 : | | Proposed 2015-17 Biennial Budger Request presented to BOT for approval | |
| | 25-29 : | BOT Meeting | Finalize documents for submission to the State in September | |
| Sept | | | Submission of Biennial Budget Request to the State | |
| Legend: | UPRC = University Planning and Resources Council tBO = the Budget Office OFM = Governor's Office of Financial Management BOT or Board of Trustees = WWU's Board of Trustees FY = Fiscal Year (July 1 to June 30) | | | |

2015-17 CAPITAL PROGRAM PROCESS TIMELINE (10-18-13)



WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 13, 2013

SUBJECT: **Campus Sculpture Presentation**

PURPOSE: Discussion Item

Purpose of Submittal:

These three proposals have been approved by the University Public Art Advisory Board (previous name of Outdoor Sculpture Collection Advisory Board) and have been presented to President Bruce Shepard.

- a) WWU/WSAC percent for art project (monies from Miller Hall renovation):
 - a. Claude Zervais, CFPA Lobby
- b) WWU/WSAC percent for art project (monies from Miller Hall renovation):
 - a. Rebecca Cummins and Paul DeMarinis, Miller Hall Co-lab
- c) Proposed Gift from Greg Kucera Gallery, Seattle and artist Cris Bruch:
 - a. Two sculptures by Bruch to be placed in lobby of Communications Building

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the selection and proposed locations of the art projects selected by the University Public Art Advisory Board from Claude Zervais, Rebecca Cummins and Paul DeMarinis, and Cris Bruch.

Supporting Information:

Detailed descriptions of the three proposals

WWU/WSAC Percent for Art Project:

CLAUDE ZERVAIS

Claude Zervais is a Northwest artist with family ties to Bellingham. He has had numerous one person exhibitions since 2000 in Seattle, Tacoma, Portland and San Diego. He has been commissioned several times by King County and the City of Seattle and has works in the public collections of the Whitney Museum of American Art (New York), Seattle Art Museum, Tacoma Art Museum, and Microsoft Corporation. He is best known for his light and video works focusing on the Northwest topography and topology.

Project Description:

The proposed artwork is a four channel video of aerial views of bends in the Middle Fork of the Nooksack River to be displayed on four video monitors arranged so that the river sections form a rough circle. The river sections will be composed in such a way as to give the impression of an endlessly flowing circular river. Each video channel is to be played independently in a continuous loop.





The middle fork of the Nooksack River supplies water for the City of Bellingham, via pipe and tunnel diversion into Lake Whatcom.



Views along the middle fork of the Nooksack River near the intended film locations.

Location

The work is to be mounted on the north brick wall located in the lobby of the Performing Arts Center building. Upon entering the lobby the wall is to your immediate right. This area flows into the two newly established lobbies/galleries.



Materials

Proposed installation materials are four commercial quality 32" high definition flat video monitors (i.e. Samsung MD32C), video media players, wall mounts, and cables. The artwork itself will be in the form of four digital video files stored in flash drives.



LCD video monitor. Samsung M32C (weight 14.1lbs). This monitor has a built in media player.

Digital backups will be supplied.

Fabrication/Production

This project incorporates video sequences that require aerial footage using a remote controlled helicopter or drone operating in a remote wilderness area, followed by significant postproduction work to process the raw video.

Filming is to begin when the location is accessible and the water level is still fairly high, which would normally be sometime between May and July of 2014. Since this requires the use of a small remote controlled aircraft and sensitive electronic equipment the weather will be a significant factor in determining the filming schedule.

Postproduction would be done during the summer and fall of 2014. The final installation would be winter 2014.

Budget

| | | |
|--------------------------------------|------------------|-------|
| Total project budget including tax | 38,117.46 | |
| Sales tax --- Bellingham | <u>3,050.80</u> | 8.70% |
| Project budget before tax | 35,066.66 | |
| Proposal/design cost as per contract | <u>2,500.00</u> | |
| Project production budget | 32,566.66 | |

Maintenance/Preservation

Most commercial video equipment manufacturers only warrantee their products for three years, but they will often last much longer (five to ten years) even with fairly continuous use. The main problem with video display technology is that it rapidly becomes obsolete. Manufacturers seem to update their video monitors every two to three years and it is unlikely that an exact replacement will be available if a failure occurs in the future. Also, the picture quality varies with newer models and it doesn't necessarily get better. Sometimes it just gets brighter or the monitor is thinner and lighter. This means that in the case of a multi-channel installation such as this one it may be necessary to replace all four monitors at once to preserve the overall formal relationship between the video channels. The size of the monitors can be changed (i.e. replacing 32"-class monitors with 40"-class) as long as all four are of the same size, the original screen aspect ratio is preserved, and they are installed in exactly the same formation as the originals.

The display devices themselves are not intrinsically important to the artwork, it is only the formal relationship between them and their ability to display the video that is useful. The artwork itself is four videos that need to be played continuously (looped) and displayed in such a way as to preserve the intended visual relationship between the displayed rectangles of video. In theory they could be displayed using other technology besides a flat panel monitor, such as projectors or some newer or as yet unknown technology.

WWU/WSAC Percent for Art Proposal

Rebecca Cummins & Paul DeMarinis

Lunar Drift: Sun and Moon Pointers



Rebecca Cummins (UW faculty) and **Paul DeMarinis** (Stanford faculty) work as a team and have undertaken numerous projects in both the US and Europe. Paul's work revolves around topics of time and memory, as embodied in the technological acts of recording and replaying. In a sense, the future traces of the Sun and the Moon in this proposal are a recording of the future made long ago. Rebecca explores the sculptural and experiential possibilities of light and natural phenomena. The mechanics of light and time and the apparent movement of the Sun and Moon are often subjects, as in this proposal.

Concept Description:

Where is the Sun right now?

Where is the Moon right now?

Lunar Drift offers viewers a heightened awareness of their spatial and temporal place in the universe, of the planetary movement of the spheres, and of the artistic and poetic possibilities of science and technology.

Lunar Drift is a slow-time kinetic sculpture that will constantly point at the Moon and to the Sun, wherever they are located, whether above or below the horizon, in daylight or night, clear skies or overcast.

To our knowledge this has not been done.¹ Lunar Drift offers the viewer a series of insights into the most frequently considered objects of vernacular celestial observation. The sun and moon are the original celestial clock, and the observation of their motions lies at the heart of human civilizations throughout the world.

Additionally, by observing the relationship between the Sun and the Moon, the current phase of the Moon can also be understood. For example, when the Moon is full, the Sun pointer will be pointing directly in the opposite direction. As an example of this experience, we often observe a full moon rising just after sunset. The existing wall proposed for the project runs along a North-south axis, so a vitrine perpendicular to that wall could house the two pointing units in a relation that would facilitate the visioning of the lunar phases

Several of the challenges have to do with the motions of the Moon. Taking up just about 0.5 degree of sky, the Moon is easy to point to when in the visible sky. But its motions are complex (it rises 50 minutes later each night) and irregular compared to other celestial bodies as it interacts with the Earth in understood, but manifold ways. The ancients had a difficult time computing lunar-calendar based holidays due to the moon's variability; After Galileo and Newton, the problems were understood, but until NASA's tackling of the math, they were difficult to compute. Currently available algorithms make it possible

¹ There is a Sun pointer (*Zonnewijzer*) outside the train station in Amersfoort, The Netherlands; however, a Moon pointer has not been made, nor are we aware of a device that explains the phase of the moon by the relationship between the Sun and Moon.

to predict with accuracy the Moon's position many centuries into the future, barring celestial cataclysms. For example, software packages like Solex can compute the Moon's position accurately for several millennia into the future. The Sun is predictable and readily calculable. The pointers are driven by motors controlled by software that accesses a stored pre-computed table of the sun/moon position several decades into the future.

The Sun and Moon move relatively slowly (approximately 360° in 24 hours) and, even weather permitting, they are not visible in the sky for half of this time. Lunar Drift would lend a continual presence to the entire path of its movement. This piece relates to - and extends both of our previous works.

The sculptures are designed as "instruments" to point at the Sun and Moon. Their sculptural design refers to the history of scientific instrumentation, their timing is incremental, and they are formally and mechanically minimal – and calculated to perform the singular task of tracking the Sun and Moon. The Moon and Sun pointers will be able to move 360° with a north / south movement of (+) or (-) 30° above or below the horizon from the main axes, which is aligned to Polaris (48.7597° north in Bellingham).

The quiet library-like quality of the Miller Co-lab is perfectly suited to the slow-kinetic movement of the Sun and Moon mechanisms.

Wall Treatment:

Moon / evening sky (west) wall

Sun / daylight sky (south) wall

The wall treatment includes a pattern composed of graphics of the phases of the Moon for 2014 (365 images, 12 months of 2014) on the west wall. The daylight sky has 36 images - three for each month, represent the average light in the sky every 8 hours at 6am, 2pm and 10pm vertically for Bellingham sequentially from January on the left. For example, in January, two of the three hours depicted are dark, where in June all three hours are light.

In relation to the Moon, the images would make a compelling cyclical visual wave pattern from afar, but also be specific to each evening upon closer viewing. The lunar phases are caused by the relationship between the Sun and the Earth, so the images of the phases tie the 3 celestial bodies together: Earth, Moon and Sun.

NASA has numerically catalogued the moon phases for six millennia and the download of the moon phase specific to each evening in 2014 is available using Voyager 4.5 software (permission has been granted to use the downloads for the wall graphics as long as the plaque text includes a credit). Voyager 4.5 software has been chosen for relative ease of use, quality and accuracy of the images.

The daylight sky images will be created and sequenced by the artists. For the moon wall, the Voyager image files will be downloaded for each evening by the artists, cropped and color corrected before professional printing and mounting.

We will use archival, digital print paper and an ink which is fade resistant for 25 years. The images will be mounted to 5" diam. black and clear acrylic circles; the images will have a protective over-laminate to protect the print surface.

Vitrines

The pointer on the left continually aims at the sun and the pointer on the right tracks the moon. By observing the relationship between the sun and the moon pointers, the current phase of the moon may also be understood; for example, during a full moon, the pointers will aim in opposite directions.

The two kinetic sculptures are housed in two side-by-side steel vitrines constructed from powder-coated angle and sheet mild steel with tempered glass panels. Both will have LED interior lights.

The electronics for the sculptures will be concealed within a box shelf in the vitrine and mounted to the inside top of the box shelf. The columnar shaft of the sculpture will rise 20" above and through a 1.28" hole in the top of the box shelf for the 1.25" W shaft. The 11" pointers will be water jet cut from 1/8" x 11" brushed aluminum and anodized with painted enamel – blue for the Moon and yellow for the Sun.

Mechanisms

The sun and moon pointers each consist of a computer-controlled mechanism that computes the location of the sun and moon by accessing locally stored ephemeris data in accord with the current local time. The time is acquired by reference to a local real time clock module and a WWVB radio receiver tuned to the National Bureau of Standards time standard. The computers use these positions to run a set of motors that move their respective pointers to the correct azimuth and elevation. If the power fails, all mechanisms stop. When the power comes back on, the systems reboot, acquire the current time, and set the pointers to the current positions of the sun and moon.

WWVB is a signal broadcast by the National Institute of Standards and Technology (NIST) from Fort Collins, Colorado. This time source is synchronized with an atomic clock and is continuously transmitted. This is the same method used by so-called "atomic" wall clocks, which automatically adjust themselves for daylight savings, leap years, leap seconds and other anomalous time-related events.

The radio is tuned to the U.S. government's time (WWVB) standard in Colorado. If a valid signal is unavailable from the Colorado site, the unit will instead rely on the local real time clock.

All angular positions for the sun/moon are pre-computed at no charge by NASA for a period of 19 years, the duration of a complete Lunar cycle. The mechanism is driven by a small dedicated microprocessor whose only job is to acquire the correct date and time, and look into its nonvolatile Flash memory to see where the sun/moon is located. Should power fail for any period of time, the system will restart and look to see what date and

time it is now, and position the pointers appropriately. An option we are considering is to compute these in real time, which would offer the possibility that the duration of the installation would be open-ended.

Fabrication:

- The software will be designed by the artists with assistance by experts in the field.
- The image graphic will be designed by the artists. Sky images calculated and photographed by the artists. Moon images downloaded, color corrected and cropped and sequenced by artists. Printing, laminating, mounting and installation by a professional graphics design company.
- Vitrines are designed by the artists and will be built by a professional metal designer / fabricator.

Maintenance:

.The artworks are safely accessible for grounds and facilities personnel to perform annual routine maintenance. Explicit instructions with diagrams have been provided by the artists.

Budget:

The total budget for the project is \$68,970; sales tax is \$6,000.

The artists are still refining their budget with the WSAC.

As it stands now, they can only do the “moon” wall; they will need \$6,000 to do the “sun” wall. WWU intends to find this extra sum.

PROPOSED GIFT: Two sculptures by CRIS BRUCH

Since 1988 Cris Bruch has had numerous one-person exhibitions in the Northwest and Germany. During this same time, he has received ten public art commissions from the cities of Seattle, Portland, Eugene and Port Angeles. In 2012 his public art project was named one of the top 50 projects in the US by Americans for the Arts. In 2009 the federal General Services Administration gave him the Design Award for Excellence in Art and Architecture for his Portland Transit Authority project.

Artist's Statement:

The works made from steel banding such as *Couplet* and *Offshoot*, were all exploring possibilities with the material. The culmination of this emphasis was the large sculpture titled *Don't Feed It* which was shown in the exhibition "Metalcraft" at the Western Gallery, WWU. I began working with steel banding by chance. I wanted to make a major shift in my work, towards artwork that was more reflective, more about thought and form. I was snooping around on an abandoned pier and found an old roll of steel banding, which I took back to the studio and began working with. The material is tempered steel, very springy, and it was familiar from years of working in lumberyards. I ended up etching it and painting it and then writing on it with paint markers. I would write everything I could, cut the material at the end, and then begin making a sculpture with it. The writing and the tension within the material led to thoughts about grammar and syntax, about the tension in language between meaning and nonsense, about orthodoxy and heterodoxy, about dogma and heresy, and about digression. I found I could imply volumes without occupying them, that the material would form natural curves depending on the length of a piece, and that there were many ways to employ repetition and variation to create forms. If the smaller pieces were letters, *Don't Feed It*, (see photo below) without any writing, was an extended essay on repetition, variation, and obsession.





Cris Bruch
***Offshoot*, 1992**
steel, enamel
24 x 36 x 35" and 18 x 10 x 12"

This proposed gift from the Greg Kucera Gallery, Seattle, and the artist would hang on the walls in the lobby of the Communications Building.



Cris Bruch
***Couplet*, 1992**
steel, enamel
92 x 15 x 12" and 19 x 38 x 38"

Both elements of the work would hang on the wall in the lobby of the Communications Building.

Campus Sculpture Presentation

Kit Spicer

Interim Dean

College of Fine and Performing Arts

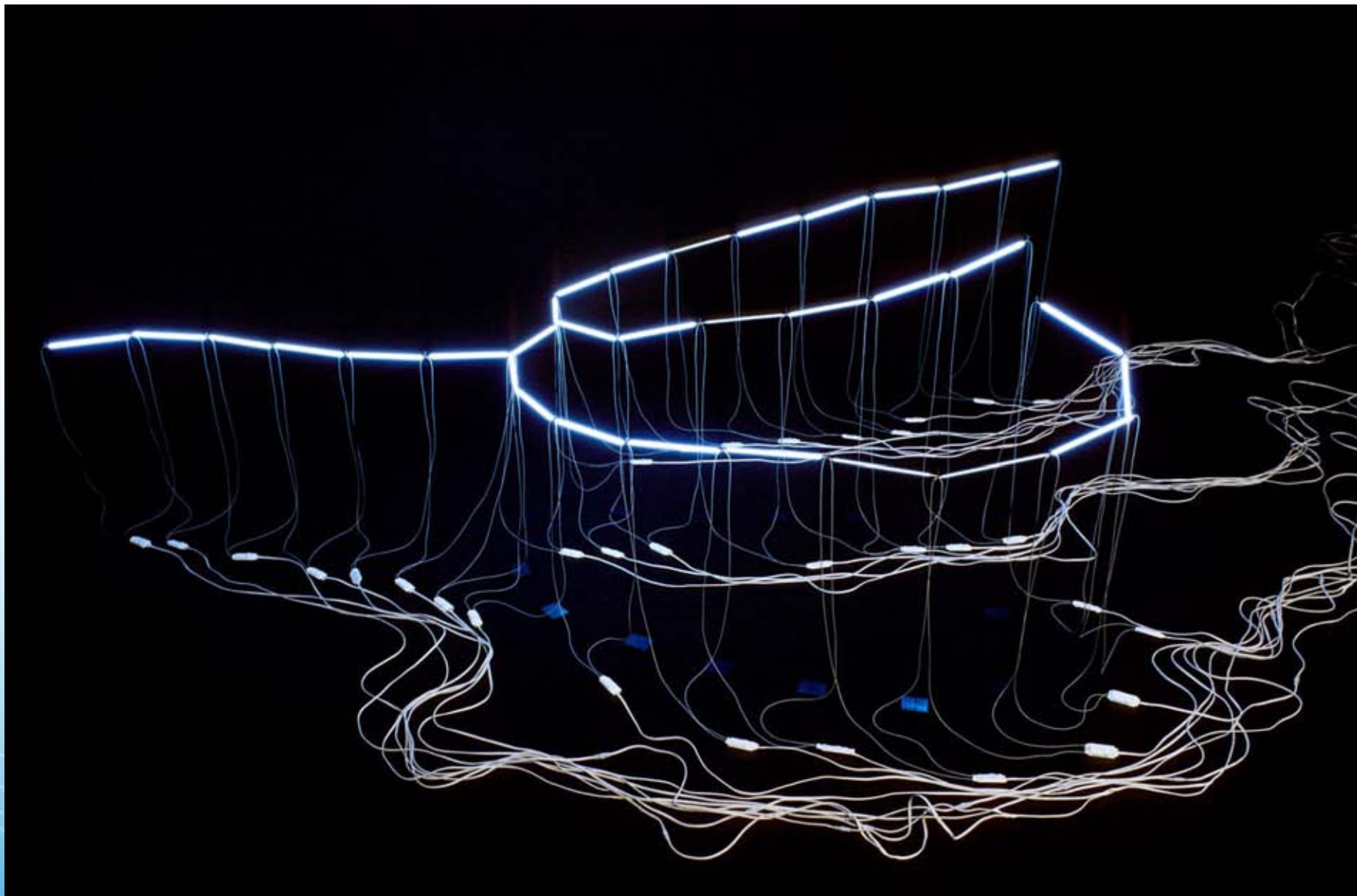
Sarah Clark-Langager

Director

Western Gallery

Board of Trustees
December 13, 2013



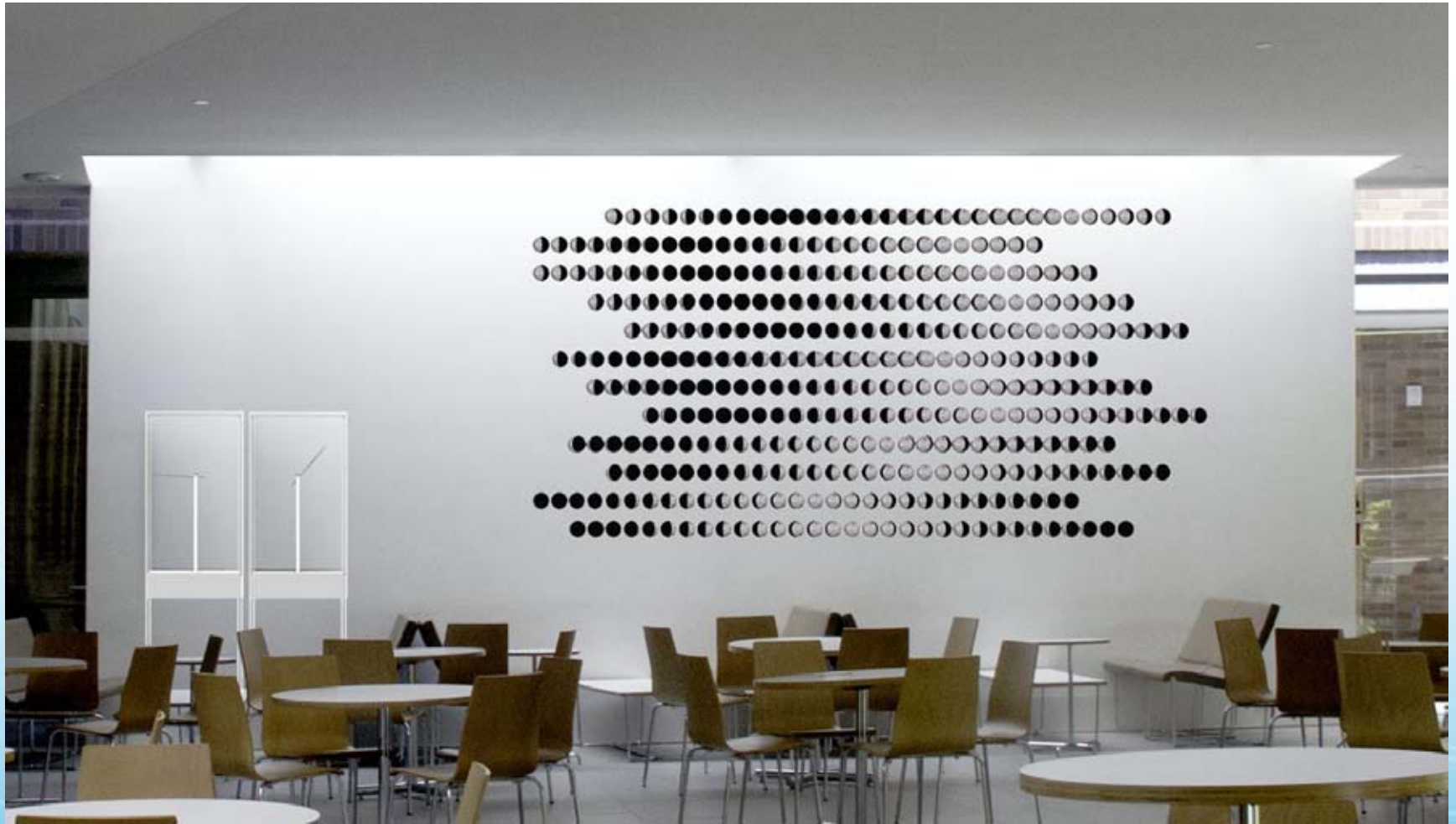




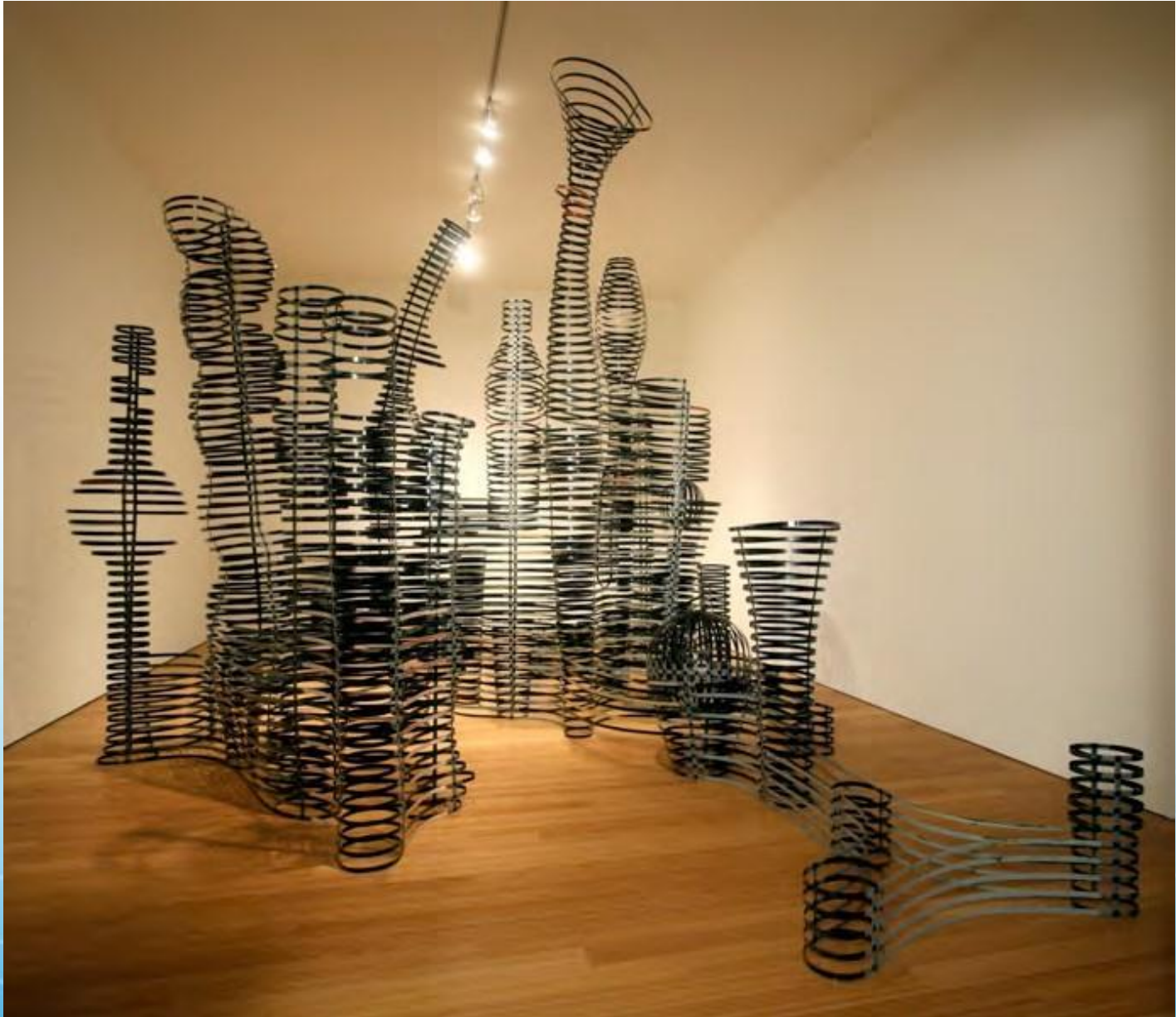


















**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 13, 2013

SUBJECT: **Digital Commons Area in Western Library**

PURPOSE: Discussion Item

Purpose of Submittal:

The Role of an Institutional Repository at Western Washington University

To enable people worldwide to learn from the extraordinary work of Western faculty, staff, and students, the University should provide global access to its research and creative activities. This will be done by establishing an Institutional Repository (IR). The IR will house and provide free access to content such as faculty papers, presentations, and research data; student theses and projects; appropriate institutional records and communications; and select faculty and student publications. The Western Libraries are leading this effort with much needed support from the Office of the Provost and Research and Sponsored Programs.

In his presentation to the Board, Dean of Libraries Mark Greenberg will further explain the strategic role of Institutional Repositories in higher education, with particular attention to the benefits of adopting the widely used Digital Commons IR software system here at Western.

Institutional Repositories: An Introduction

What can they do for:

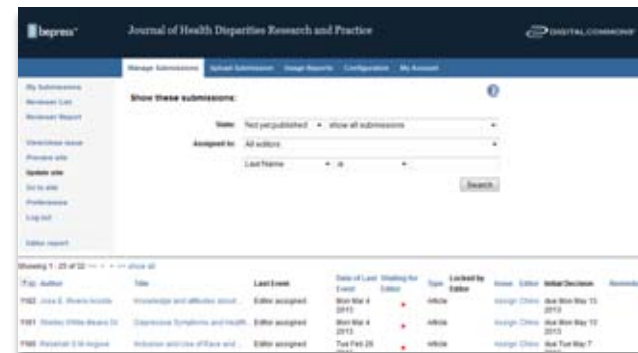
- The University
- Faculty
- Students



Presented by Mark I. Greenberg, Dean of Libraries

What is an IR?

- An Institutional Repository
 - Collects, organizes, manages, and disseminates the intellectual output of the institution free to users via the Internet
- Publishing platform
 - Hosts journals, books, conferences
 - Supports submission and editorial workflow, including peer review
 - Applies structure to content (and make it look good)



The IR Today

Libraries are using the IR to provide meaningful and necessary ***digital services*** to the entire campus.

- A home for all digital material
- Impact for faculty, researchers, and students
- Exposure for the university

The IR and Western's Priorities

Western Washington University Strategic Goals

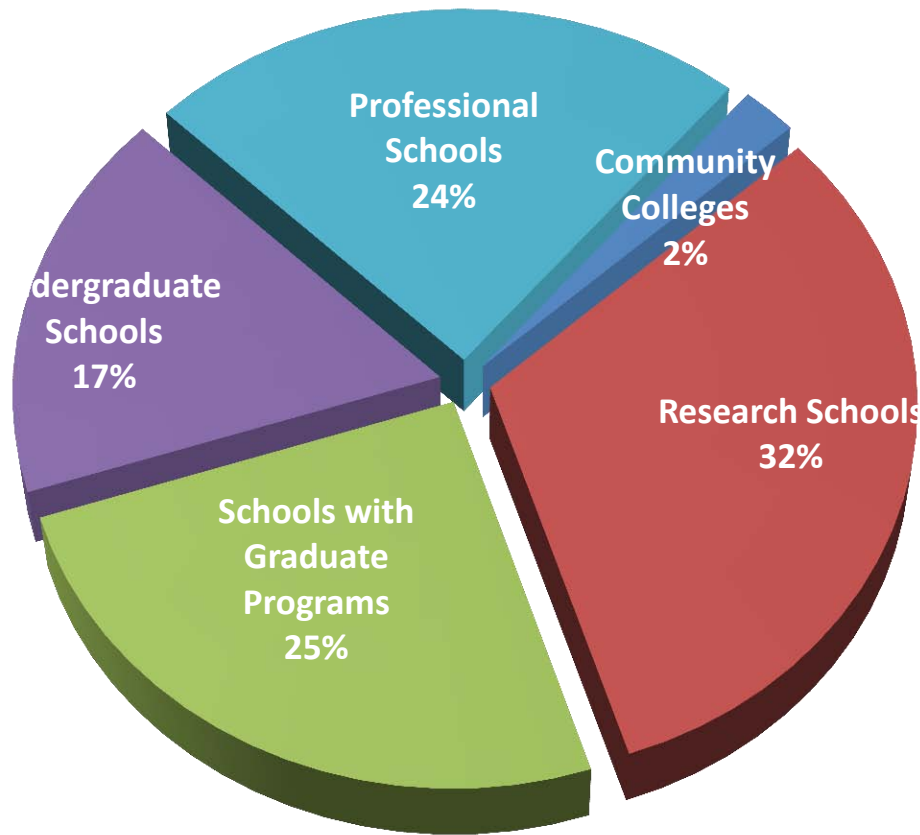
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|--|--|--|---|---|
| <p>WWU Goal: Build upon Western's strengths to address critical needs in the State of Washington.</p> | <p>WWU Goal: Expand Student access to rigorous and engaging baccalaureate and graduate education.</p> | <p>WWU Goal: Foster and promote life-long learning and success in an ever-changing world.</p> | <p>WWU Goal: Apply Western's expertise and collaborative approach to scholarship, creativity and research in ways that strengthen communities beyond the campus.</p> | <p>WWU Goal: Serve as a model for institutional effectiveness, innovation, diversity and sustainability.</p> |
|--|--|--|---|---|

Strategic Goal Alignment: Western Washington University & Western Libraries

| | | | | |
|--|---|---|---|---|
| <p>Libraries Goal: Create and maintain sustainable physical and virtual environments that enhance barrier-free access, a diversity of scholarship, and the pursuit of life-long learning by the citizens of Washington State.</p> | <p>Libraries Goal: Develop a comprehensive, scalable and sustainable plan for the delivery of curricular and co-curricular instruction for all WWU students.</p> | <p>Libraries Goal: Take an active leadership role in the promotion of scholarly communication through collaborating in the development of infrastructure to support 21st century scholarship.</p> | <p>Libraries Goal: Expand partnerships and strengthen collaborative efforts throughout the campus, the community and beyond.</p> | <p>Libraries Goal: Provide support to the WWU community using data driven decision making to focus on user needs and services.</p> |
|--|---|---|---|---|

Western Libraries Strategic Goals

Digital Commons IR Software



300+ institutional users
70 new in 2012

Benefits of Digital Commons

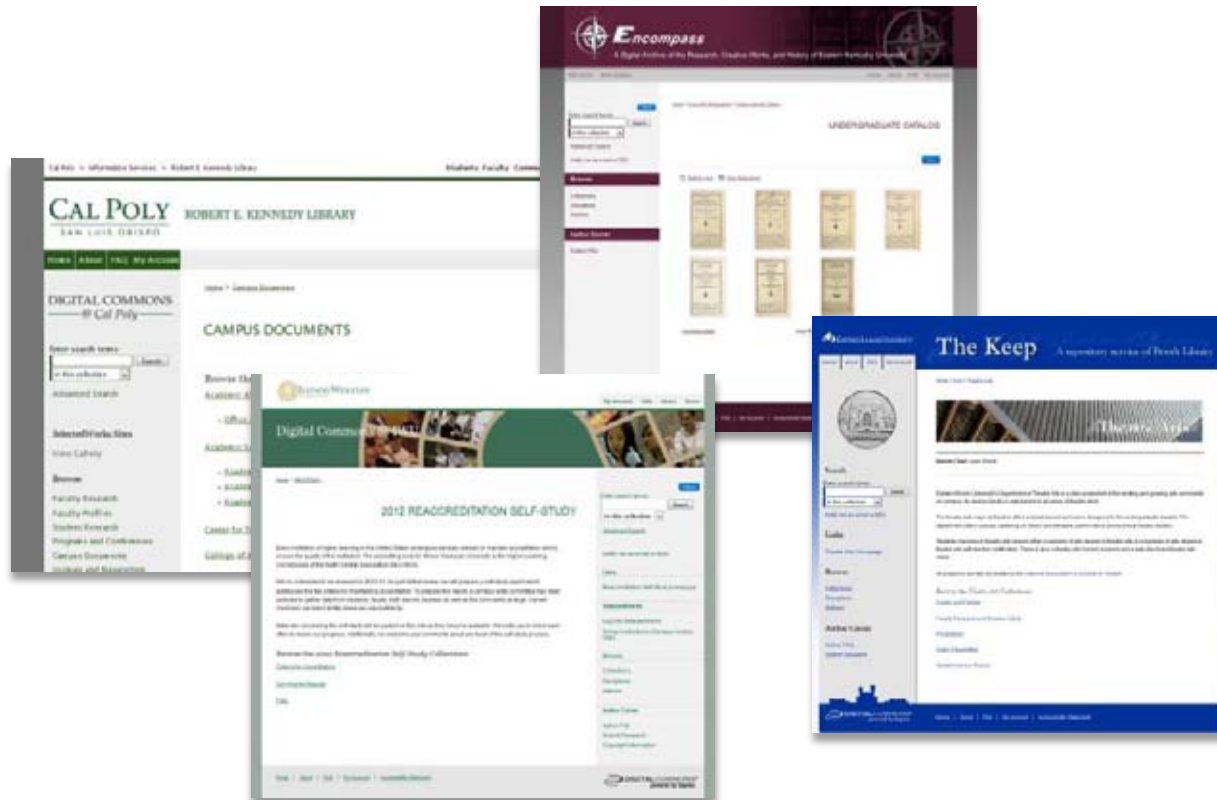
- Hosted
- Turnkey
- Fully supported
- Intuitive
- Versatile
- Affordable
- Sustainable

What can Digital Commons IR software do for the University?

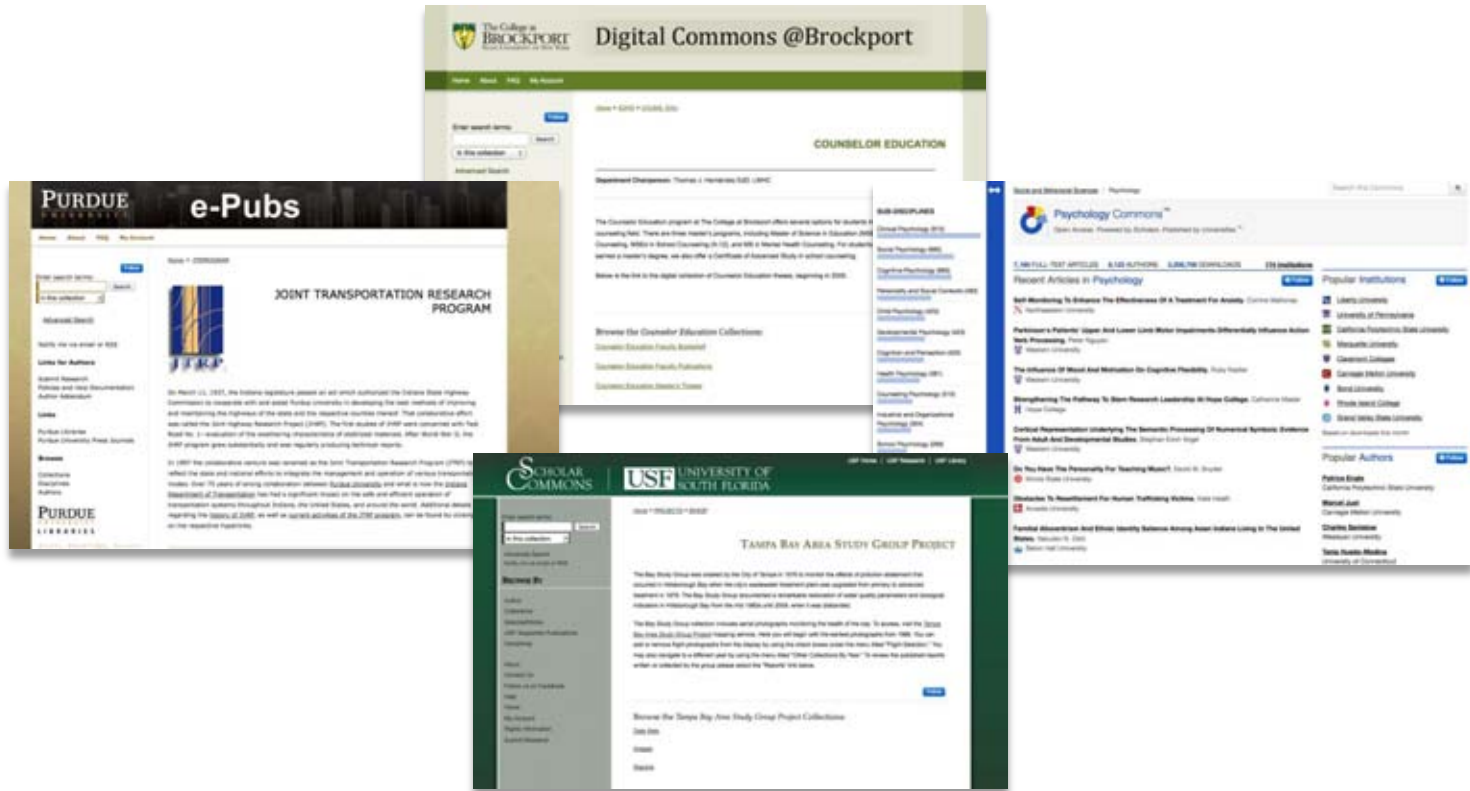
Serve as a showcase



Provide access to campus documents



Highlight key programs



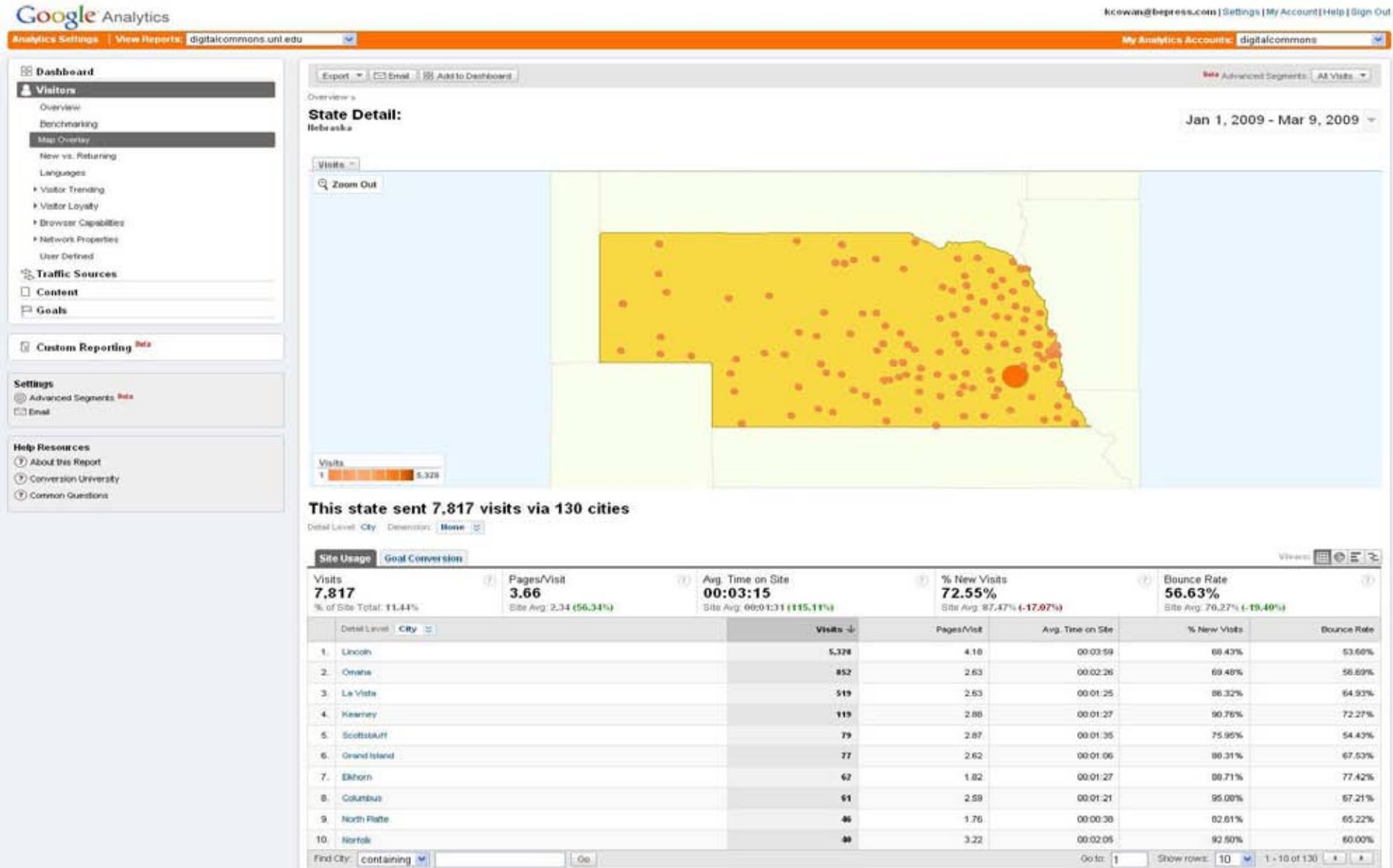
Publish Open Access

The screenshot shows the 'OPEN ACCESS JOURNAL COLLECTION' on the University of South Florida Scholar Commons website. The page features a search bar, a 'Browse Journals by Title' section with two featured journals: 'ARX' and 'ALAMBIQUE', and a sidebar with navigation options like 'Home', 'About Us', and 'Contact Us'. The 'ARX' journal is described as an online journal for artists, and 'ALAMBIQUE' is a peer-reviewed journal for Spanish and Portuguese studies.

The screenshot displays the 'Digital Commons@University of Nebraska - Lincoln' website. It features a search bar, a 'Library Philosophy and Practice (e-journal)' section, and a sidebar with navigation options like 'Home', 'About', and 'My Account'. The 'Library Philosophy and Practice' section includes a description of the journal and its ISSN (1522-0222).

The screenshot shows the Illinois Wesleyan University website, specifically the 'Illinois Wesleyan University Magazine' page. The page features a search bar, a 'Current Issue: Volume 22, Issue 2: Summer 2013' section, and a sidebar with navigation options like 'Home', 'About', and 'My Account'. The 'Current Issue' section lists several articles, including 'From Student to Nurse' and 'The Law of Attraction'.

Document local impact



Show global reach



What can an IR do for Western faculty
and staff?

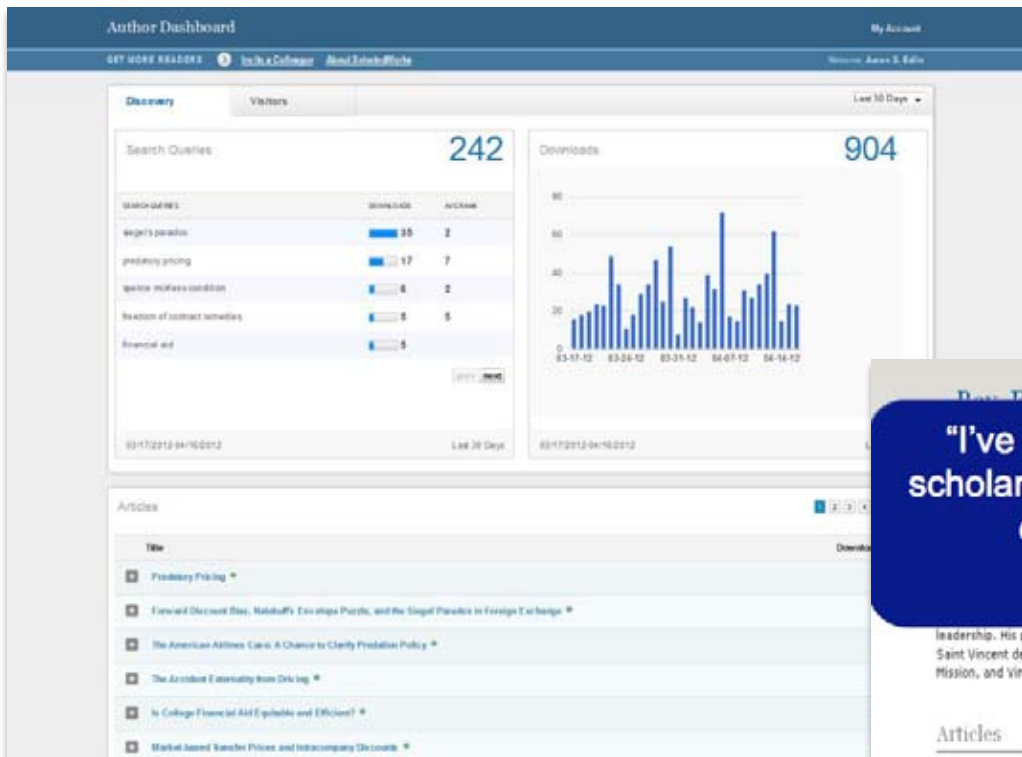
Offer greater visibility for research

This screenshot shows a digital portfolio for Randy Albelda, a professor at UMASS Boston. The page features a blue header with the title 'Selected Works of Randy Albelda' and the university logo. Below the header, there are navigation tabs for 'Author Name', 'Home', 'Publications', 'Browse All by Type', and 'Navigation'. A central section includes a portrait of Albelda and a detailed biography. To the right of the bio is a 'View My Walling List' button. Below the bio, there are sections for 'Articles' and 'PDF' with links to specific research papers.

This screenshot displays the 'Digital Commons @ Brockport' interface. It features a green header with the university logo and the title 'Digital Commons @ Brockport'. Below the header, there are navigation tabs for 'Home', 'About', 'FAQ', and 'Account'. The main content area shows a search bar and a list of publications, including 'STUDIES ON WATER RESOURCES OF NEW YORK STATE AND THE GREAT LAKES'. The page also includes a sidebar with 'Browse' options like 'Collections', 'Disciplines', and 'Authors', and an 'Author Terms' section.

This screenshot shows the 'UKnowledge' digital repository interface. It features a blue header with the 'UKnowledge' logo and navigation tabs for 'HOME', 'ABOUT', 'FAQ', and 'MY ACCOUNT'. Below the header, there is a search bar and a section for 'ENTOMOLOGY FACULTY PUBLICATIONS'. The main content area displays a publication titled 'Bed Bugs Evolved Unique Adaptive Strategy to Resist Pyrethroid Insecticides' with a list of authors and a 'Download' button. The page also includes a sidebar with 'Browse' options and an 'Author Terms' section.

Document research impact



Rev. Edward R. Udovic, C.M., Ph.D.

"I've had more downloads of my scholarship in the last 2 months than over the last 25 years."

leadership. His particular research and teaching interests include the history of Saint Vincent de Paul, the post-revolutionary restoration of the Congregation of the Mission, and Vincentian material culture studies.

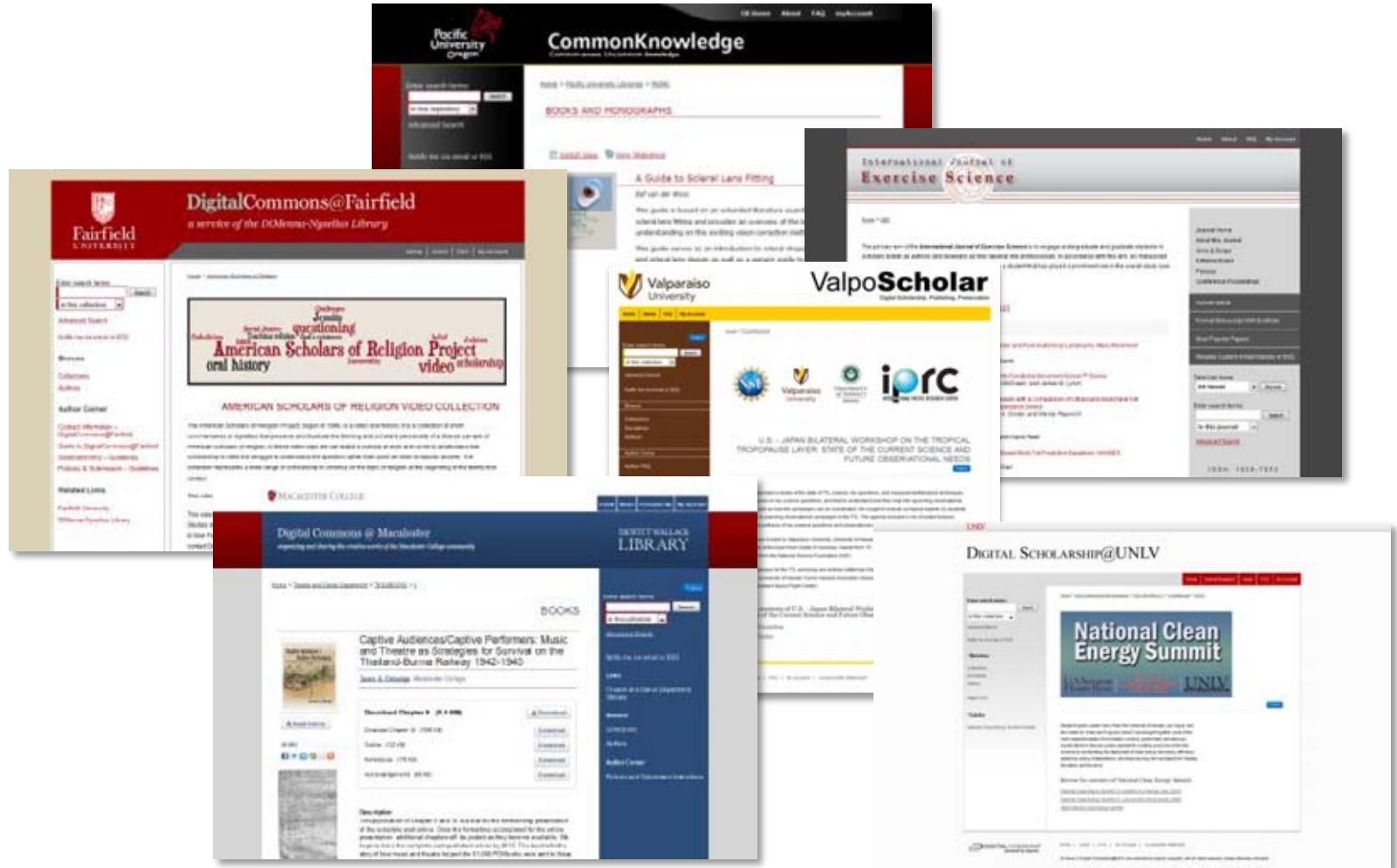
Articles

- PDF** [Pictures from the Past: Saint-Lazare as a Prison: 1792-1940, Vincentian Heritage](#) (2008)
Serving as the mother house of the Congregation of the Mission from 1632-1792 in Paris....
- Link** [Henri-Dominique Lacordaire's Re-Establishment of the Dominican Order in Nineteenth Century France](#), *Catholic Historical Review* (2007)
Book Review of "Henri-Dominique Lacordaire's Re-Establishment of the Dominican Order in Nineteenth-Century France," by Peter...

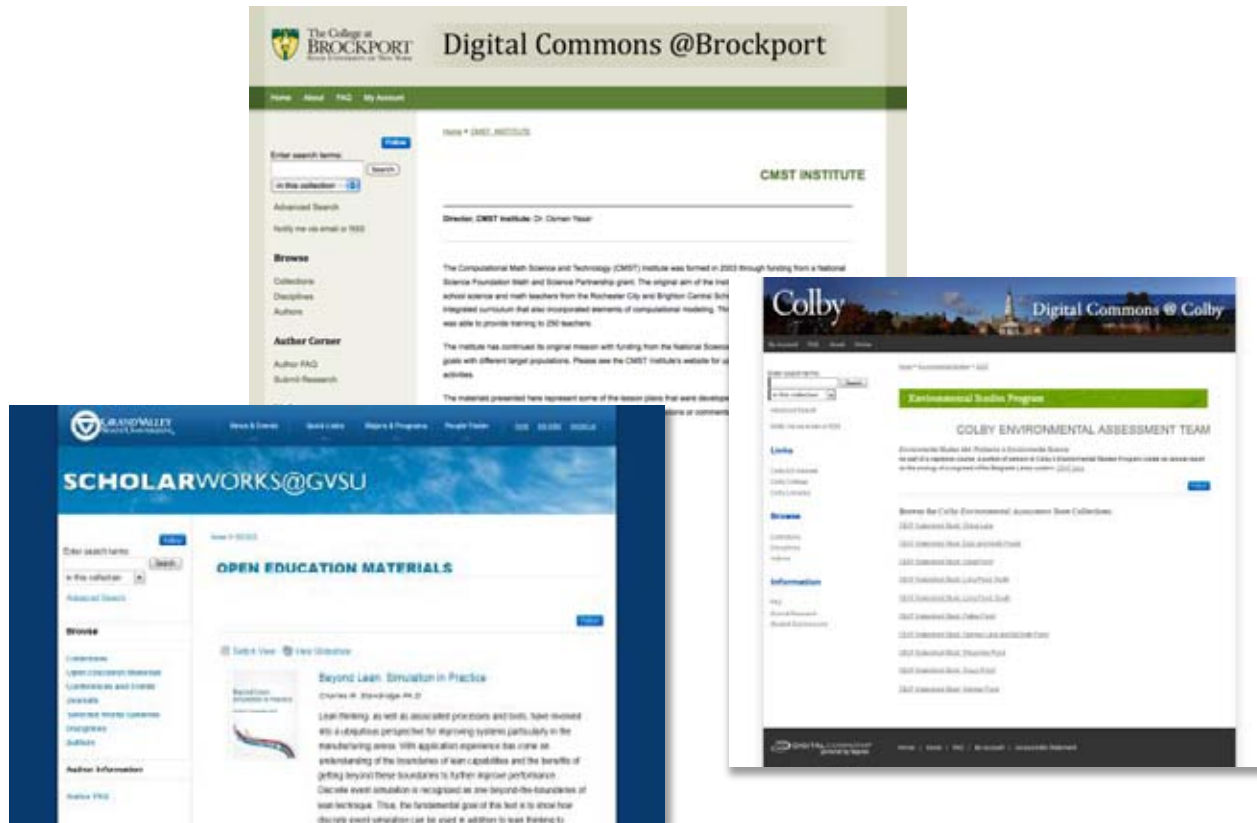
Join My Mailing List

Rev. Edward R. Udovic, C.M., Ph.D.
 DePaul University

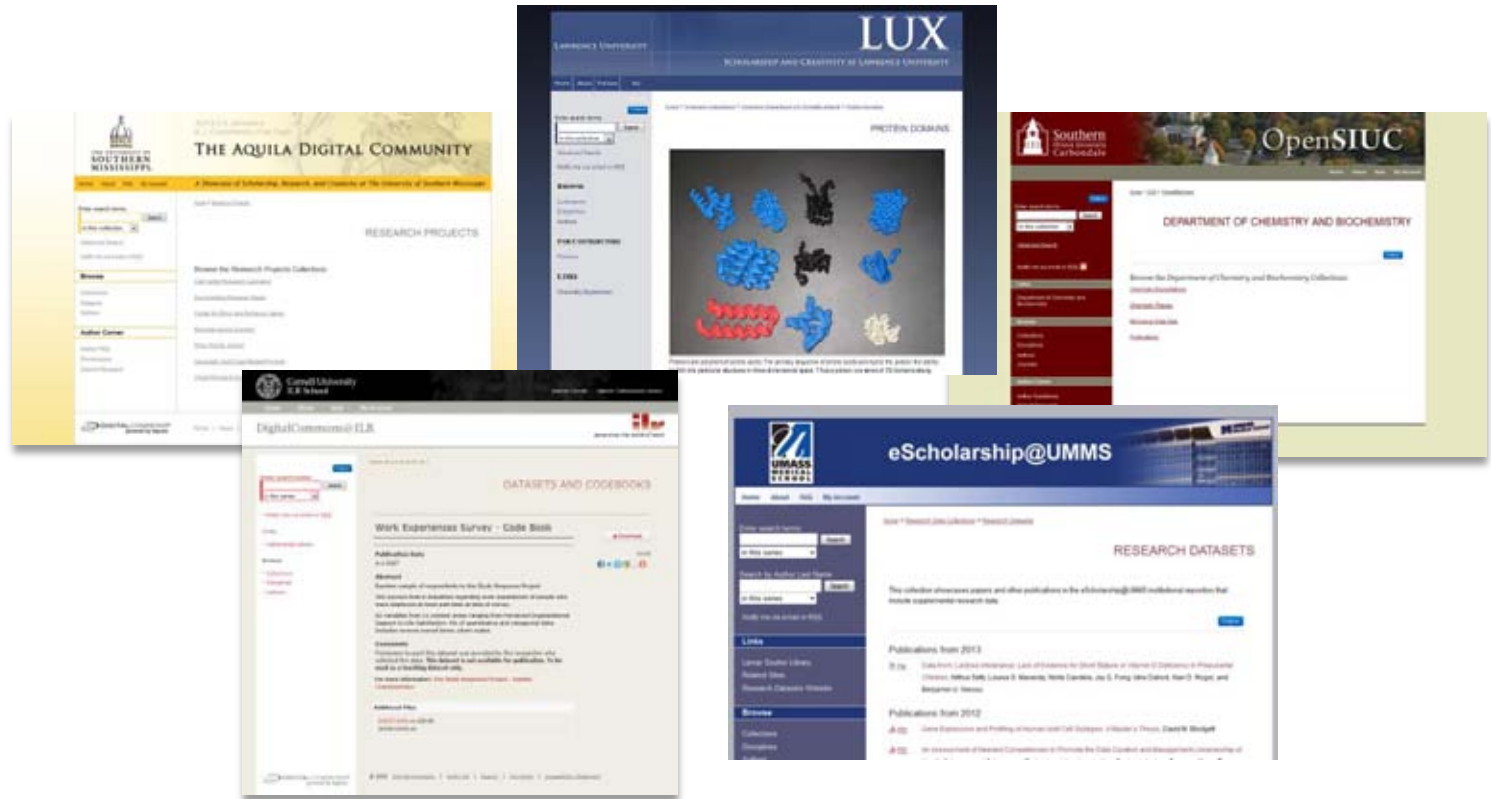
Publish Creatively



Nurture teaching and learning

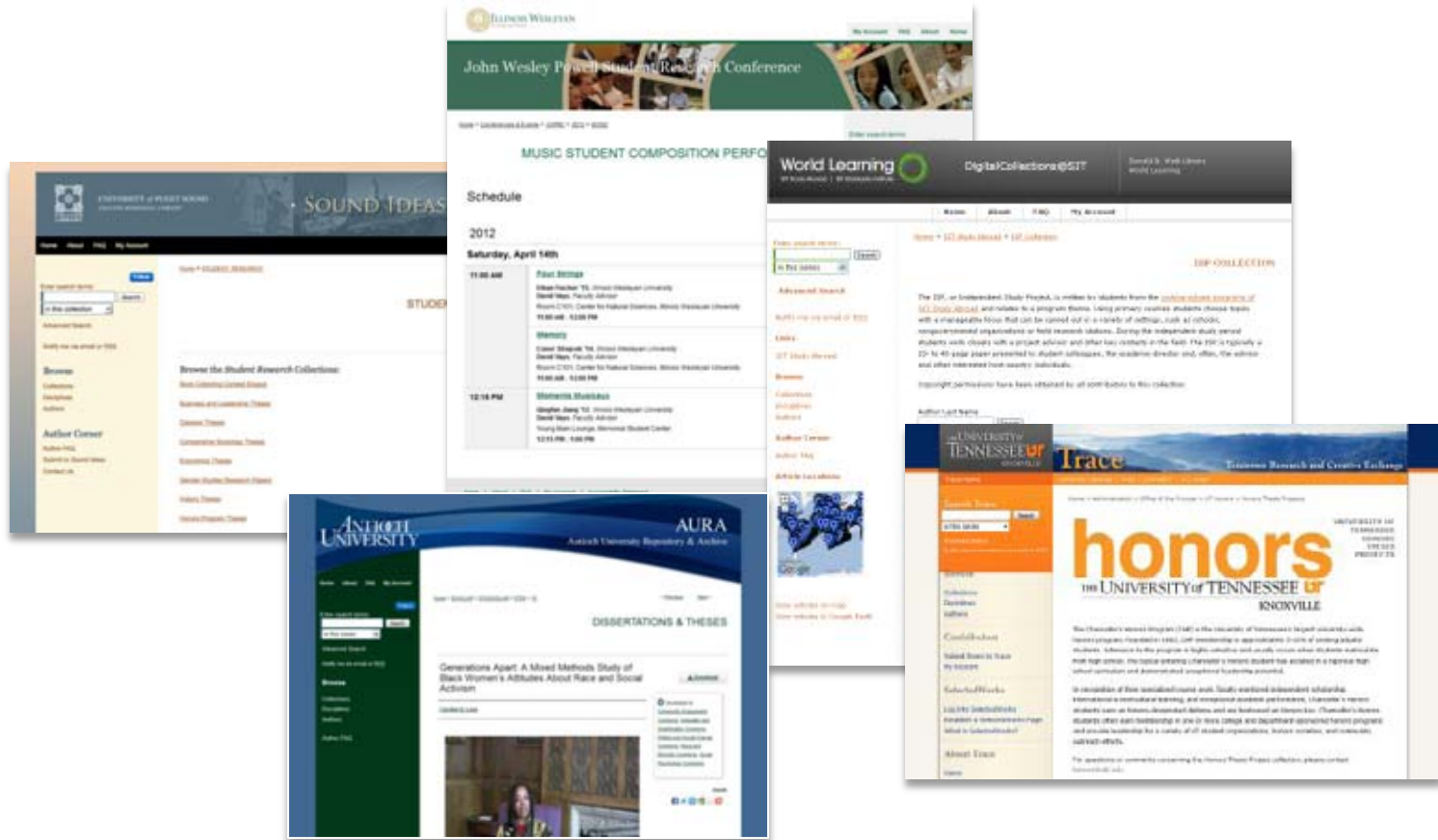


Present research collections and data



What can an IR do for Western students?

Create a permanent and visible record



Open new avenues for scholarship



Questions, Comments?

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard

DATE: December 13, 2013

SUBJECT: **Recognitions and Introductions**

PURPOSE: Information Item

- **Scott Linneman, Professor, Geology Department, 2013 Washington Professor of the Year**

Western Washington University's Scott Linneman, professor of Geology and Science Education, was selected to receive the 2013 Washington Professor of the Year award by the Carnegie Foundation for the Advancement of Teaching and the Council for Advancement and Support of Education, the first one ever received by a Western faculty member.

Whenever he can, Linneman teaches Geology out in the field, as opposed to the classroom; his students have observed geologic processes first hand on the area's rivers, beaches, glaciers and landslides and gone on overnight trips to national parks.

Linneman who has taught at Western since 2000 is very involved, inside and outside of Western, from running workshops for teachers in the Bellingham community to helping geoscience professors all over the country. As part of his professorial duties, he is a member of Western's Science, Math and Technology Education program, assisting in the training of future science teachers. He was the president of the National Association of Geoscience Teachers which promotes teaching of Earth science and was recently awarded the association's Robert Christman Distinguished Service Award. In 2001, he held a Senior Fulbright fellowship to conduct teacher training and research on science teachers in South Africa. In 2011, he was named Washington State's Higher Education Science Teacher of the Year by the Washington Science Teachers Association. Linneman received his bachelor's degree from Carleton College and his doctorate from the University of Wyoming.

The U.S. Professors of the Year program salutes the most outstanding undergraduate instructors in the country – those who excel as teachers and influence the lives and careers of their students. It is recognized as one of the most prestigious awards honoring undergraduate teaching. Professors are chosen for the Carnegie award based on the criteria that they show extraordinary dedication to undergraduate teaching. This is demonstrated by excellence in the following areas: impact on and involvement with undergraduate students; scholarly approach to teaching and learning; contribution to undergraduate education in the institution, community and profession; and support from colleagues and former undergraduate students.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard on behalf of Senior Vice President Eileen Coughlin

DATE: December 13, 2013

SUBJECT: **Remodel/Expansion of Edens North (Housing and Dining Capital Plan)**

PURPOSE: Discussion Item

Purpose of Submittal

To inform the Board on an Edens Hall North feasibility review currently in progress that will assess renovation of existing space along with an addition of 100 beds. The addition would address the need to meet projected growth in international students. Edens Hall North and South together would house domestic students as well, but would be designed to better connect the buildings and create common spaces that would facilitate cultural community-building among students. The Board of Trustees will receive an update and summary of the review at the February Board meeting.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Steve Swan, V. P. for University Relations and Community Development

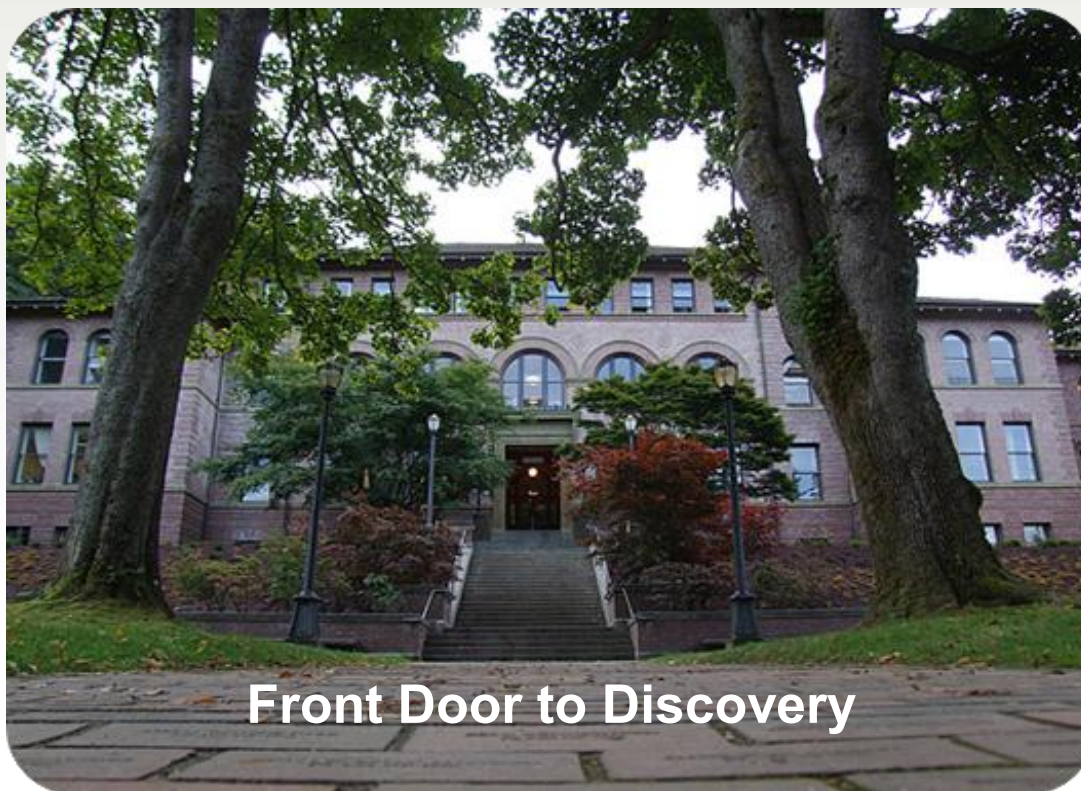
DATE: December 13, 2013

SUBJECT: **Front Door to Discovery**

PURPOSE: Discussion Item

Purpose of Submittal:

Steve Swan, Vice President for University Relations and Community Development, and Dan Purdy, Director, Front Door to Discovery, will give a presentation on the Front Door to Discovery Program.



Front Door to Discovery

Steve Swan | Dan Purdy
University Relations & Community Development

This document was presented at the Board of Trustees meeting and has been added to the meeting packet after the presentation.

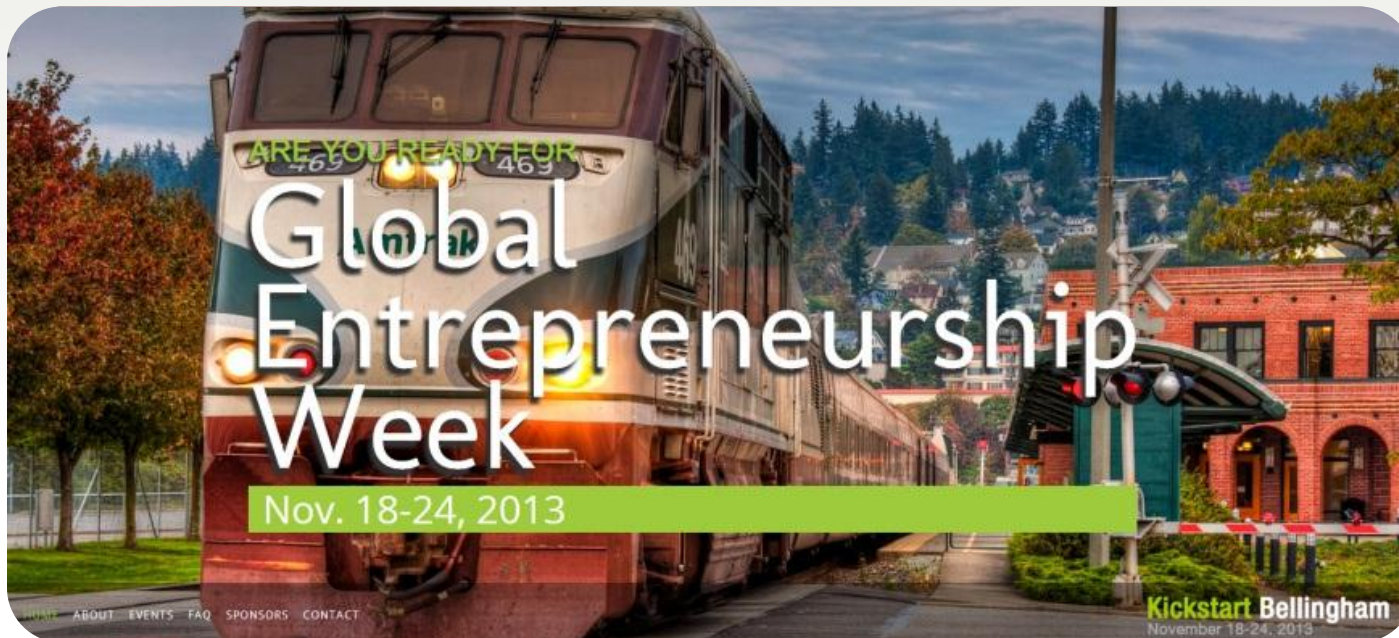
Connecting Campus & Community



Progress



Global Entrepreneurship Week



413 participants

Led by WWU SBDC & FDD

Global Entrepreneurship Week



9 local organizations





Bellingham  **Startup
Weekend**

Powered by Google for Entrepreneurs

96 participants

Startup Weekend Bellingham



65 entrepreneurs:

- 39 students

- 26 community members

Startup Weekend Bellingham



23 mentors and judges

Connections: Gifts that keep on giving

Startup Weekend Bellingham



10 sponsors

Student & Community Impact

Josh Bennett, Almost A Gentleman

ALMOST A GENTLEMAN


f t y p

An Exclusive Community
for Aspiring Gentlemen.

00 21 37 07

Days Hours Mins Secs

REFINEMENT FOR
EVERY MAN





**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Stephanie Bowers, Vice President for University Advancement and Executive Director, WWU Foundation

DATE: Dec. 13, 2013

SUBJECT: **Campaign Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Stephanie Bowers, Vice President for University Advancement and Executive Director of the WWU Foundation, will provide an update to the board on the Western Washington University campaign.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Sherry Burkey, Associate Vice President for University Relations

DATE: December 13, 2013

SUBJECT: **Olympia Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Sherry Burkey, Associate Vice President for University Relations, will give an update on the upcoming 2014 legislative session.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Dick Thompson, Chair, Board Audit Committee
DATE: December 13, 2013
SUBJECT: **Board Audit Committee Report**
PURPOSE: Information Item

Purpose of Submittal:

Chair Thompson will report to members of the Board of Trustees and the University President and his staff topics related to the Board Audit Committee.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 13, 2013

SUBJECT: Academic Affairs Report: Awards and Recognition

PURPOSE: Information Item

Purpose of Submittal:

Western Washington University faculty, staff, students and programs regularly receive awards and recognition on a local, state and national level. The following list provides a few recent examples of these awards:

Scott Linneman, professor of Geology and Science Education, was selected to receive the *2013 Washington Professor of the Year award* by the Carnegie Foundation for the Advancement of Teaching and the Council for Advancement and Support of Education, the first one ever received by a Western faculty member.

WWU staff members, **Justina Brown, Marc Ravaris, John Farquhar, Andrew Blick, Maggie Barklind and Peter Agras** were chosen by the Northwest Academic Computing Consortium to receive the *2013 Innovation in Educational Technology Award for An Experiential Faculty Development Program on Blended Learning*.

Kristiana Kahakauwila, assistant professor of English, was selected to be part of the summer *2013 Barnes and Noble Summer Discover Great New Writers* program and the *Target Emerging Author program* for her literary short story collection, "This is Paradise."

Joseph E. Trimble, professor of psychology was chosen to be the 2013 recipient of the *Francis J. Bonner Award*. The award was established in 2010 by the Massachusetts General Hospital's Department of Psychiatry and the MGH Psychiatry Center for Diversity in order to promote diversity and inclusion in the psychiatric community.

A WWU **College of Business and Economics student team, "Lean Forward,"** won first place in the *First Annual Boeing Northwest Case Competition* on Friday, Nov. 8, at the Museum of Flight in Seattle. The Case Competition gives students the opportunity to apply supply chain management and business knowledge in an integrated team setting to solve a real-world Boeing supply chain problem.

WWU **Environmental Science student Roby Ventres-Pake** was a recent recipient of a scholarship from the *Environmental Protection Agency's 2013 Greater Research Opportunities Fellowship program*. Through the EPA's GRO program, Ventres-Pake could be awarded up to \$50,000 for studies in Environmental Science, and will also be given an EPA internship.

Western Washington University has been ranked 10th nationally for its service to its community and region by Washington Monthly magazine.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 13, 2013

SUBJECT: **Quarterly Report on Grants and Contracts**

PURPOSE: Informational Item

Purpose of Submittal:

Information from the Office of Research and Sponsored Programs concerning grant awards for the period July 1, 2013 – September 30, 2013 and fiscal year 2013/14.

Supporting Information:

- Grant awards/totals for the period 7/1/13 – 9/30/13
- Grant awards for the fiscal year 2013/14

SUBJECT: YTD Grant Awards

| Department | 7/1/13- 9/30/2013 | 10/1/13- 12/31/2013 | 1/1/14- 3/31/2014 | 4/1/14- 6/30/2014 | Fiscal Year 2013-14 |
|----------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------|--------------------------------|
| Anthropology | 2,100 | | | | 2,100 |
| Biology | 130,171 | | | | 130,171 |
| Border Policy | | | | | - |
| Campus Compact | | | | | - |
| Campus Police | 500 | | | | 500 |
| Canadian/American Studies | | | | | - |
| CBE | | | | | - |
| Chemistry | 164,935 | | | | 164,935 |
| Child Development | | | | | - |
| CJI | | | | | - |
| Economics | | | | | - |
| Engineering Tech | | | | | - |
| Geology | 31,641 | | | | 31,641 |
| History | 106,050 | | | | 106,050 |
| Huxley | 67,484 | | | | 67,484 |
| Mathematics | 471,957 | | | | 471,957 |
| Modern & Classical Lang. | | | | | - |
| Physical Education, Health & Rec | | | | | - |
| Physics | | | | | - |
| Political Science | 27,526 | | | | |
| Psychology | 336,895 | | | | |
| Science, Math & Tech Education | 893,413 | | | | 893,413 |
| Sciences & Technology | | | | | - |
| Shannon Point Marine Center | 280,659 | | | | 280,659 |
| Sociology | | | | | - |
| Woodring College of Education | 764,605 | | | | 764,605 |
| Total | \$ 3,277,936 | \$ - | \$ - | \$ - | \$ 3,277,936 |

| GRANT AWARDS FOR THE PERIOD | | | July, August, September 2013 | | | |
|--|--------------|--------------|------------------------------|--------------|-------------------------------|--------------|
| | NEW | ADD'L | FUNDING | | | DEPT. |
| DESCRIPTION | FUNDS | FUNDS | AGENCY | P.I. | DEPARTMENT | TOTAL |
| Year 2 - Whole School Success Partnership | | 286,771 | WA Stuent Achiev. Council | E. Borda | Chemistry/SMATE | 286,771 |
| Add to Monitoring Salmon Habitat Restoration Proj. | | 14,866 | Tetra Tech | J. Helfield | Environmental Sciences | 14,866 |
| Add to Management Invasives in the Intermountain NW | | 52,618 | US Forest Service | W. Landis | Toxicology | 52,618 |
| Year 4 - Rehab Counseling '10 - '15 | | 150,000 | US Dept of Education | E. Boland | Human Services/Rehabilitation | 150,000 |
| Add to Complex Environment Commons | | 27,526 | University of WA | S. Singleton | Political Science | 27,526 |
| Add to Model of Research-based Education | | 614,605 | NSF | C. Ohana | Elementary Education | 614,605 |
| | | | | | | 0 |
| Add to Stephanie Abegg Fellowship Award | | 22,000 | NSF | K. Kitto | Mathmatics | 22,000 |
| Add to Archives at the Western Archeological/Conservation Center | | 106,050 | US NPS | R. Jimerson | History | 106,050 |
| Mapping Hepatic Disfunction | 139,365 | | Huntington Society of Canada | J. Carroll | Psychology | 139,365 |
| Multicultural Initiative in Marine Science | 100,000 | | NSF | S. Sulkin | SPMS | 100,000 |
| Next Generation Resins for Aerospace | 90,000 | | JCATI | D. Rider | Chemistry | 90,000 |
| Composite Panels for Aerospace Technology | 74,935 | | Zodiac | D. Rider | Chemistry | 74,935 |
| Componets of Terranes in NW Washington | 31,641 | | NSF | E. Schermer | Geology | 31,641 |
| Travel Support - Bering Sea Days | 2,100 | | NSF | M. Etneir | Anthropology | 2,100 |
| Departmental Transformation through Vision and Change | 130,171 | | NSF | J. Otto | Biology | 130,171 |
| Traffic Safety Mini Grant | | 500 | WASPC | T. Osborn | Campus Police | 500 |
| | | | | | | 0 |
| Acquisition of Transcranial Magnetic Stimulator | 197,530 | | NSF | K. Jantzen | Psychology | 197,530 |
| FSML Improvements: Provision of a Molecular Ecology Lab | 180,659 | | NSF | S. Arellano | SPMS | 180,659 |
| Partnership for Research with Elementary Math and Science | 449,957 | | NSF | K. Markworth | Mathmatics | 449,957 |
| Collaborative Model for Undergraduate STEM Education Reform | 606,642 | | NSF | E. Geary | SMATE | 606,642 |
| | | | | | | 0 |
| | | | | | | 3,277,936 |

1,146,386

696,762

1,434,788

3,277,936

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Senior Vice President Eileen Coughlin

DATE: December 13, 2013

SUBJECT: **Admissions and Enrollment Summary**

PURPOSE: Information Item

Purpose of Submittal

To provide a general update on enrollment and admissions

December 2013 Enrollment and Admissions Report
Prepared by Clara Capron,
Assistant Vice President for Enrollment and Student Services

Admissions preparations are well underway for Fall 2014.

Fall 2014 numbers

We are pleased to report that we are off to a good start. As of November 25, 2013, freshman applications for 2014-2015 are up by approximately 3%, at 2,112 for Fall 2014 compared to 2,054 at the same time last year. So far, applications from students of color are significantly up at 533 compared to 438, an increase of nearly 22%. These early numbers represent a small portion of the overall applicant pool, given that we will continue to accept Fall applications through January 31, 2014, but as of November 25, the trend is up.

Admissions Counselor Report

Admissions counselors and others have nearly concluded 10 weeks of recruitment efforts at high schools and community colleges throughout the state of Washington, as well as in California, Oregon, Alaska, Nevada, Hawaii, Idaho, Montana, Colorado, Utah, Arizona, and New Mexico. Travel goals include providing a personal connection to Western, encouraging prospective students to complete their admissions applications, and answering questions related to Western and our admissions processes.

High school counselors, parents, and others have repeatedly commended measures undertaken by President Bruce Shepard, the Western administration, and the Associated Students to address the off-campus public disturbance that occurred on Oct. 12. In general, Admissions counselors are hearing that the disturbance was regarded as an anomaly and out-of-character for the Bellingham community.

Western Fall Welcome

Admissions hosted the second largest Western Fall Welcome in the history of our institution on Sat., Oct. 26, with a total of 1,083 participants (411 students and 672 parents and other guests). Future Western students, parents, high school counselors, and others were provided with opportunities to learn about Western and interact with current students and families. Guests enjoyed campus tours, application review sessions to help students write competitive applications, specialized workshops, and a campus fair showcasing academic and co-curricular options.

International Connections Day

Admissions hosted 17 international transfer students and three international advisors for a campus visit tailored to their unique needs on November 8. The students came from three area community colleges: Whatcom, Skagit and Everett. Their visit included a campus tour, complimentary lunch in the dining hall with current international students and advisors, an Admissions overview, an informational session from a panel of five international students who described their experiences at Western and reasons for selecting Western, and an opportunity to view two residence halls typically of interest to international students (Birnam Wood and Buchanan Towers). Admissions will track these students to determine who eventually applies and enrolls at Western.

Phonathon

Admissions will have called more than 3,000 students via the fall phonathon, held from mid-November to the first week in December, to reach out to recruits who have not yet submitted an application and encourage them to apply early, answer any questions they have about the application process or Western, and make a positive personal connection. Many students have questions or concerns about the application. Phoning them not only provides them with the information they need, but reminds them to turn in an application by the January 31 deadline.

Seattle Times Advertorial

Western had a presence in the Seattle Times higher education special section, "On Course," which featured a half-page ad and quarter-page advertorial. The print piece was distributed on October 27, 2013 and ran digitally on October 27 and 28. In partnership with Extended Education and Summer Programs, Admissions, and University Communications, the ads were viewed by hundreds of thousands of readers.

E-mail Campaigns

In early November, a 17,000+ e-mail communication campaign highlighted current events at Western, including our record student-of-color enrollment, Fulbright scholarship awards, and national ranking for community service.

A coordinated "Apply Now" campaign is currently being deployed and will touch more than 90,000 prospective students through e-mails, postcards, and social media messaging.

Full-page Ad in Horizon Airline In-flight Magazine

Just in time for holiday travel, a full-page ad in coordination with University Communications focused on “location, education, reputation” will run in the December edition of Horizon Airline’s in-flight magazine. Coverage includes an estimated 7 million passengers in Washington, Alaska, Idaho, Montana, California, Nevada, Arizona, Texas, British Columbia and Alberta, Canada.

Champions of Diversity

Western will join Skagit Valley College on December 4 to recognize young multicultural leaders in Skagit, Island, and San Juan counties through scholarship and outreach efforts. Western awarded six high-achieving freshman students two-year Multicultural Achievement Awards worth \$3,000 per year and will provide outreach to students and families via an admissions presentation and information table at the event.

Two New Hires

Harold Baker, previously Recruitment and Retention Coordinator at Purdue University in Indiana, filled the role of Assistant Director for Multicultural Recruitment and Program Development in October. Harold has served underrepresented student populations within higher education for 14 years.

Jess Savage, previously Associate Director of Admissions at Carroll College in Montana, filled the newly created role of Associate Director of Admissions for Outreach and Recruitment in November. Jess has served as an admissions professional for 10 years.

Winter 2014 Admissions Targets

For Winter Quarter 2014, Admissions plans to enroll 25 freshman students and 285 transfer students. For sake of comparison, we enrolled 40 freshmen and 298 transfer students last Winter 2013. We are enrolling slightly fewer new students for Winter 2014 because we anticipate a slight increase in continuing students from the previous quarter compared to last year.

UNIVERSITY ADVANCEMENT REPORT

DECEMBER 2013



The following report illustrates the focused efforts of the Division of University Advancement to develop relationships to secure and steward financial resources, which advance Western. Working with key University personnel and volunteers, including the Western Alumni Association and WWU Foundation boards, we have created opportunities for alumni, students, parents, faculty, staff and supporters to engage with the Western community in our growing spirit of philanthropy. This excitement, activity and awareness of what makes WWU unique is laying the groundwork for a successful Western Stands for Washington campaign.

CAMPAIGN RESULTS THROUGH OCT. 31, 2013



ADVANCEMENT FAST FACTS

JULY 1 - OCT. 31, 2013

\$150,000 Charitable Gift Annuity from one donor

772 Alumni Association memberships were renewed or acquired, bringing the membership to **3,179 members**

\$299,570 in Major Gifts (\$25,000 or more) from nine donors

\$610,000 in Annual Fund gifts from 2,639 donors.* Year over year, this represents an increase of 70 donors but a slight decrease of \$27,000.

The Phonathon received **2,210 pledges totaling \$130,000** (a year-over-year **increase of 35%** in number of pledges, 48% in the amount pledged.)

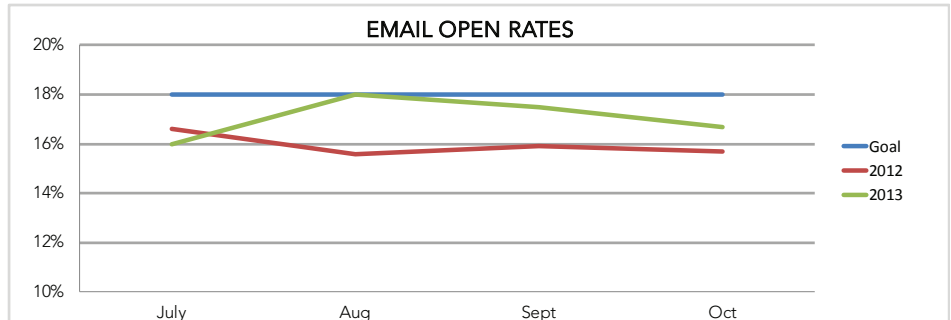
Alumni donors have **increased from 1,733** as of October 31, 2012 **to 1,891** as of October 31, 2013.

\$1,237,045 cash raised between 7/1/2011-10/31/2013, bringing the Western Stands for Washington **campaign total to \$33.1 million**

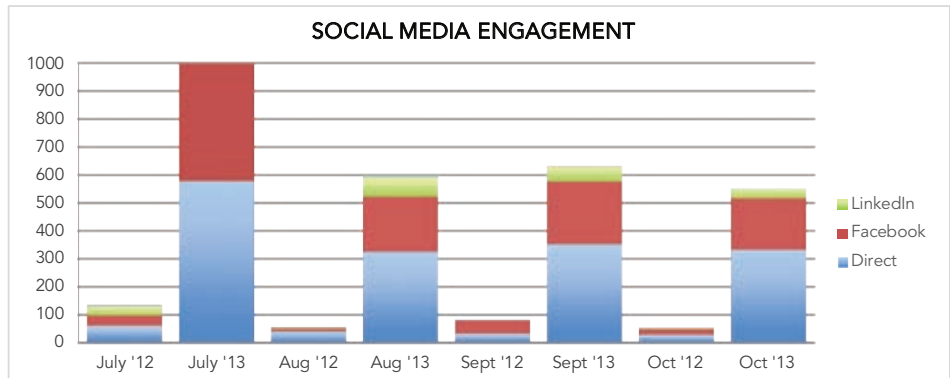
GROWING AWARENESS

Western’s influence within our state, the nation and world is growing as the stories about our students, alumni and University initiatives spreads over an ever-increasing audience.

Our communications continue to show open rates hovering around the industry-standard 17%, proving our audiences are dedicated to reading about what’s happening at Western.



WWU social media communities are expanding exponentially and our audiences continue to become more engaged through Facebook, LinkedIn and Twitter. Popular topics measured by click-throughs (shown in chart) range from photo sharing at WWU events to alumni in the news and in the national spotlight.



ENGAGEMENT EVENTS FROM SEPT. - NOV. 21, 2013

The Division of Advancement brought a flurry of activities and opportunities for alumni, faculty, staff and Western supporters to engage with the University this Fall.

September’s Alumni Association board meeting was capped with an evening of food, friends and football (soccer) at the Seattle Sounders game. Western’s group filled the Hawk’s nest and championed through wind and rain to show support for WWU while enjoying the game and each other’s company.

“Even the weather could not keep us away! Hot burger, cold beer and we rode the wind into the stadium. Great time! You folks know how to put a gig together and whenever time allows I attempt to attend. I am older than dirt but I enjoy everything having to do with WWU...I have (for 15 years) a license plate that says ‘WWUMW2’ for my wife and I.” – Allan Barr, Alumni Association lifetime member, after WWU Night at Seattle Sounders.

Inaugural 1893 Society dinners were held in Bellingham and Seattle on Oct. 25th and Nov. 7th, respectively. The 1893 Society recognizes donors

who have committed \$25,000 or more to Western and gift societies range from \$25,000 to \$10 million. The Bellingham dinner hosted 90 guests and 60 guests attended the dinner in Seattle. At each dinner, Vice President Stephanie Bowers recognized four families who have each contributed more than \$1M dollars to Western: Jack and JoAnn Bowman, the Frank and Mary King family, The Harrington family through the Mark and Blanche Harrington Foundation and Virginia and the late Bagley Wright.

CONTINUED ON PAGE 3

ENGAGEMENT CONTINUED



Western dedicates new Moss Adams Professional Readiness Center.

The University also recently celebrated Moss Adams' campaign pledge with a scholarship lunch with their student recipients followed by the dedication of the new Moss Adams Professional Readiness Center housed within the College of Business and Economics. Interim dean of the College of Business and Economics, Craig Dunn, thanked Moss Adams for their two decades of partnership and shared the impacts of their gifts.

Nearly 200 Western graduates have been hired by Moss Adams over the past 20 years.

As more gifts come in, so grows the pipeline of supporters and those ready to engage with Western at special events. The ever-popular Curling in Canada day sponsored by the Alumni Association has expanded to a semiannual event to meet demand.

This Fall, 30 alumni, students, parents and friends joined us for an exciting day on the ice in Canada. Those who couldn't attend curling in October will have another chance to join us in the spring!

The Woodinville Wine Event at the Canon de Sol tasting room, owned by Alumni Association board members Victor and Kim Cruz ('81), featured 45 attendees. Alumni Board President Keith Boyd ('95), President-elect Shari Campbell ('83) and Kay Hovde ('84) were present to mingle and share exciting updates about Western with event guests.

Western in the Desert with Georgia O'Keeffe was the first event in that area in which Alumni board members volunteered to host the group of 22 constituents as they enjoyed an elegant afternoon in the sun with art and lunch. Todd ('83) and Gerrilynn Lindley and Kristine Worland ('86) from the Alumni Association board of directors welcomed guests.

CONTINUED ON PAGE 4



WWU students, alumni and friends at Curling in Canada.

ENGAGEMENT CONTINUED

In addition to pouring wine, sports and high art, Western communities gathered together to support each other professionally at the Western@Microsoft lunch and Perfect Your Pitch student mentoring event on November 5th and 6th, respectively. Twenty-three Microsoft employees, who are also WWU alumni, met at Microsoft's campus in Redmond for lunch. Key faculty and the deans from College of Business, Huxley and the College of Science and Technology discussed advancements in Western's business and technology programs and Microsoft's role in supporting those efforts. Some of those Microsoft

employees joined alumni from other industries to support current students at the Perfect Your Pitch event. Thirty-four students benefited from the mentoring and professional expertise of 17 alumni who reviewed their resumes, answered questions and coached them on interviewing for a job.

The 13th annual Bellingham Business Forum was held November 21 with alumna Paula Radloff ('83), Senior Human Resources Business Partner for Global Operations, Finance and Strategy, and Legal & Government Affairs at Nike as the keynote speaker. Paula shared



Paula Radloff ('83), Bellingham Business Forum Speaker

QUOTES FROM ATTENDEES AT PERFECT YOUR PITCH:

"It really helped me get motivated and gave me some direction." – Student

"Getting to talk to alumni has been a great experience; especially the resume review."
– Student

"You should do this three times a year!" – Alumni mentor

"This is a great idea. I would be happy to act as a mentor to students who would be interested in having a mentor beyond just talking for 15 minutes."
– Alumni mentor

with the sold-out audience her personal philosophies on leadership. Associated Students President Carly Roberts ('14) brought greetings from the student body and she made an appeal for scholarship support. The response from the audience was the best it's ever been with 44 guests making gifts in excess of \$7,000. The previous high was \$5,850 from 26 guests last year. Through table and event sponsorships and these gifts, the Business Forum raised \$32,000, an all-time high for this event.

ENGAGEMENT METRICS



677 ASK!
VOLUNTEER MENTORS

1,252

ATTENDEES AT 16
ALUMNI EVENTS
AND 925 AT 8 WWU
FOUNDATION EVENTS



**27 ALUMNI
MEMBERSHIPS**
CAME IN THROUGH
EVENT REGISTRATION AND

32 PEOPLE
MADE A NON-MEMBERSHIP
GIFT WITHIN
30 DAYS
OF ATTENDING AN
ALUMNI EVENT



**40 MAJOR GIFT
SOLICITATIONS** MADE
SINCE JULY;
350 IN-PERSON VISITS
MADE WITH MAJOR
GIFT PROSPECTS

UPCOMING EVENTS

NOVEMBER 30 – WildLights at Woodland Park Zoo

DECEMBER 3 – Inside Guide to Admissions in Seattle

DECEMBER 3 – President’s Society Puget Sound Holiday Reception – Januik Winery

DECEMBER 5 – Inside Guide to Admissions in Bellingham

DECEMBER 5, 6, 7, 10 – Holiday open houses at the home of Bruce and Cyndie Shepard

DECEMBER 7 – “Les Miserables” & Traveling Professor Series in Issaquah

JANUARY 4 – WWU Court of Dreams Night at The Portland Trail Blazers

JANUARY 25 – A Star-Studded Night in Tacoma with Traveling Professor Series

JANUARY 29 – WWU’s Gourmet Cheese & Wine Event in Washington D.C.

FEBRUARY 13 – Puget Sound area Donor & Scholarship Recipient Lunch – Seattle Sheraton

FEBRUARY 14 – 17, Vikings Conquer Whistler Village

FEBRUARY 15 – WWU vs. SPU Basketball Game and Pre-game Party in Seattle

FEBRUARY 22 – Western vs. Central Basketball Game and Pre- game Party at Carver Gym

FEBRUARY 27 – Bellingham-area Donor & Scholarship Recipient Lunch



WHY WE DO WHAT WE DO...



Harriet Spanel signing gift agreement.

Our division celebrated an important gift with a signing ceremony held in Western's Planetarium in honor of a commitment made by former Washington State Senator Harriet Spanel. Her gift, made in honor of her late husband Dr. Les Spanel, who was a long-time physics/astronomy professor at Western, will provide the funding to purchase a new projector for the Planetarium as well as seating and other enhancements. The Dr. Leslie E. Spanel Planetarium will be dedicated in the New Year.

Western's Phonathon continues to provide tremendous support for the University, having just brought in more than \$41,000 for the Parents Program to support the Career Services Center, \$20,000 for Woodring College of Education to support internationalizing the College of Education, to increase diversity in teaching, and to provide scholarships for students in the new RN to BSN program. More than \$15,000 raised for the College of Business to enable overseas student experiences, support for faculty innovation and funding needed for deserving students to travel to conferences and competitions.

As a result of contributions to Annual Giving campaigns, Jenny Hoang ('13) received the Friends of Anthropology Undergraduate Research Award last fall for her project "Ethnographic Narrative of the Karenni Students of Western Thailand's Refugee Camp, Mae La."

With a goal to spread of awareness about the issues surrounding the refugee camps on the border of Thailand, Jenny filmed a documentary following the lives

of three Burmese engineering students living as refugees inside the camps. The film aspired to give the global community a greater understanding and to connect a wider array of audiences to the refugee situation in Thailand by showing the human dimension of life. It turned into a story of hope as she realized the incredible systems (including educational systems) that have been created within the refugee camps.



Jenny Hoang ('13)

Jenny's feature-length documentary is still in development, but the trailer is available on her blog at mindfuloasis.blogspot.com.



BRITTANY SMITH

Scholarship recipient Brittany Smith transferred from both Virginia State University and Bellevue College to attend Western. She studied business administration and received her associates degree in 2011, but struggled financially, which carried over into her academic efforts. In 2011, she came to Western based on the influence of her counselor and Western's Fairhaven program.

She is now taking interdisciplinary studies to incorporate her passions of dance, business and working with youth.

"Words cannot describe the joy I feel in regards to receiving this scholarship. A lot of times, we as people give up on many opportunities because we allow the fear of rejection to take place. I used to be that way until I made up in my mind I could no longer operate in fear if I wanted to make a difference. That is what it is all about, doing the best I can so that I can make a difference in someone else's life. I would like to encourage others to NEVER give up. That may sound cliché, but success only finds those who are determined enough to push past adversity."

"With the Alumni Association Leader Scholarship, I am able to focus more on my studies and no longer have to work two jobs while being a full-time student." – Smith said. (Interdisciplinary Studies – Dance, Business, Youth)

WESTERN WASHINGTON UNIVERSITY

Capital Program Report

Board of Trustees

December 13, 2013

MAJOR/INTERMEDIATE CAPITAL PROJECTS

- **Carver Academic Renovation**

A 2014 Supplemental Capital Request was submitted to the State for construction phase funding. Construction activities are delayed until Western receives funding.

- **Multipurpose Field**

The restroom and ticketing building and import of field base materials are nearly complete. Retaining walls are complete. Other ongoing activities include installation of new access road paving, bleacher seating, and scoreboard supports. Due to unforeseen delays due to the amount of rock on the west side, the decision was made to delay the artificial turf installation until next spring, thus reducing risk for weather impacts to the turf installer.

- **Nash Hall Renovation**

The Nash Hall Renovation project is currently out to bid. The pre-bid conference is scheduled for December 3, and bids will be opened at 3:00 p.m. on December 19. The construction contract will be brought to the February 2014 Board of Trustees for approval. Phase 1 construction is planned to begin on June 16, 2014. The project scope includes installation of fire sprinklers, upgrade of the fire alarm systems, seismic upgrades and upgrade of architectural finishes within the building. Construction is planned to be complete by Fall Quarter 2014.

- **Haggard Hall Digital Media Commons**

The University has contracted with RMC Architects to design the Haggard Hall Digital Media Center, a project funded as part of the Classroom and Lab Upgrades Phase 2. Programming sessions have started with a design committee representing various colleges across campus. The scope of the project is to renovate Haggard Hall rooms 245 and 246 to create a multi-disciplinary digital media center to be used for teaching and student work. A construction contract is scheduled to be brought to the August 2014 Board of Trustees meeting for approval. Construction is scheduled for Fall Quarter 2014, to be operational by Winter Quarter 2015.

- **Ridgeway Kappa Renovation**

The project is currently in the process of choosing an Architectural/Engineering team for design. The project scope includes installation of fire sprinklers, upgrade of the fire alarm systems, and upgrade of architectural finishes within the building. Requests for Qualification (RFQ) submittals from interested parties were received by the University on November 15. A selection committee composed of Facilities Development and University Residences staff members will evaluate the RFQ's, interview a shortlist of firms, and make a final recommendation for selection. A design contract is scheduled to be brought to the February 2014 Board of Trustees meeting for approval. Construction is planned to begin in Ridgeway Kappa in late March 2015, and be complete by Fall Quarter 2015.

OTHER SMALLER PUBLIC WORKS PROJECTS

- **Wilson Clay Tile Roof & Multiple Roof Replacement**

This project is currently in design. The scope of work is to replace the clay tile roof over the Wilson Library reading room, and make repairs/replace low slope roofs on several academic buildings. Construction documents are scheduled to be complete by early February 2014. Bids will be opened in March 2014, and the construction contract will be brought to the April 2014 Board of Trustees for approval. Construction is anticipated to begin in June 2014.

- **Replace Steam Piping at Ridgeway**

High pressure steam is distributed from the central campus steam plant to a system of concrete utilidoros to provide heat and hot water to the Ridgeway residence hall areas. The scope of work is to replace

deteriorated steam, condensate and compressed air piping in the Ridgeway complex, including building feeds to Ridgeway Alpha, Beta, Delta, and Ridgeway Commons. The project will also provide a storm water drainage system to prevent storm water flooding that has occurred in the past.

The schematic design phase was completed; the design development phase is scheduled to be complete in late December 2013. A construction contract will be brought to the April 2014 Board of Trustees for approval. Construction is anticipated to begin in Summer 2014, and is planned to be complete by Fall Quarter 2014.

- **Performing Arts Exterior Renewal**

This project is currently in design. The scope of the work is to upgrade the exterior envelope of the Performing Arts Center and will also include replacement of many single pane windows with new insulated windows. Construction documents are scheduled to be complete by late January 2014 and sent to bid at that time. Bids will be opened in March 2014, and the construction contract will be brought to the April 2014 Board of Trustees for approval. Construction is anticipated to begin in June 2014, and is planned to be complete by December 2014.

- **North Campus Utility Upgrade**

Work on the project includes the upgrade of the existing north campus 4,160 volt electrical distribution system to a more energy efficient and modern 12,470 volt system. In addition, the project will eliminate all existent radial feeds to campus buildings, providing redundancy in the system by establishing a fully looped electrical distribution grid.

The schematic design phase has begun, and the consultant has performed extensive onsite investigation of the existing infrastructure. The consultant submitted the schematic design package to the University and is under review. The project is tracking for final bid document completion by February 2014. A construction contract will be brought to the Board of Trustees for approval at the April 2014 meeting. Construction is anticipated to begin in June 2014, and is planned to be complete by December 2014.

- **Classroom & Lab Upgrades**

The University is designing classroom upgrades in three phases. Phase 1 includes rooms in Ross Engineering Technology, Biology, and Shannon Point Marine Center. Scope of work includes media equipment, interior finishes and furnishings, electrical, mechanical and plumbing, fire alarm and suppression. A Phase 1 construction contract will be brought to the Board of Trustees for approval at the April 2014 meeting. Phase 1 construction is anticipated for Summer Quarter 2014, to be operational by Fall Quarter 2015. Phase 2 is expected to be completed and operational by Fall 2014, and Phase 3 is expected to be completed and operational by Winter 2015.

- **Central Campus Steam Upgrades**

High pressure steam is distributed from a central campus steam plant to a system of concrete tunnels and utilidors to provide heat and hot water to campus facilities. Much of the piping was installed during the 1960s. The scope of work is to replace steam and/or condensate piping at several locations around campus. Storm water drainage will be upgraded and utilidors will be sealed to prevent flooding that has occurred in the past.

The schematic design phase was completed, and the project is beginning the design development phase. The design development phase is scheduled to be complete in late December 2013. A construction contract will be brought to the Board of Trustees for approval at the April 2014 meeting. Construction is anticipated to begin in Summer 2014 and end in June 2015.

CITY OF BELLINGHAM PROJECT AFFECTING WESTERN

The City of Bellingham as lead agency, in partnership with, Western and Whatcom Transportation Authority, was successful in receiving grant funds to construct new sidewalks along the Lincoln Street Transportation Center. The new sidewalks will improve pedestrian and ADA access to the site and transit areas.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Steve Swan, V.P. for University Relations and Community Development

DATE: December 13, 2013

SUBJECT: **University Relations Report**

PURPOSE: Information Item

Purpose of Submittal:

A written report is provided on the recent activities of University Relations and Community Development.

Supporting Information:

Report Attached

**WESTERN WASHINGTON UNIVERSITY
OFFICE OF THE VICE PRESIDENT FOR UNIVERSITY RELATIONS AND
COMMUNITY DEVELOPMENT**

REPORT FROM THE VICE PRESIDENT TO THE BOARD OF TRUSTEES

GOVERNMENT RELATIONS

The 2013 Ralph Munro Seminar for Civic Education was conducted on November 5th and 6th and was another outstanding event. Unfortunately, this year's Munro Seminar had to be reduced from what was originally planned to be six sessions, down to three sessions, because of the unexpected convening of a special session of the Washington State Legislature that same week. The three sessions were held in the Viking Union and drew good crowds. The event was live-streamed and recorded by WWU Video Production Services, and was televised on a delayed basis on TVW.

The panels that were conducted included State Senators Michael Baumgartner, Rodney Tom, and David Frockt; and State Representatives Larry Springer, J.T. Wilcox, Chris Reykdal, Kristine Lytton, and Chad Magendanz. Other panelists included Marjorie Hatter, Manager of the Phillips 66 Refinery; Paul Francis, Executive Director of the Council of Presidents; Craig Dunn, Interim Dean of WWU's College of Business and Economics; Paul Guppy, Washington Policy Center; and Andy Nicholas, Washington State Budget and Policy Center. Paul Dunn, WWU Senior Executive Assistant to the President, served as the moderator for the panels.

The theme for the 2013 Munro Seminar was "Economic Vitality of Washington. The panel topics were:

- Changing Demographics, New Technology, and the Modern Workforce: How Should Higher Education Respond?
- Washington's Business Climate: Too Much Tax? Too Much Regulation?
- Economic Recovery: Competing Priorities for State Dollars

The Munro Seminar is sponsored by the WWU Political Science Department and is conducted by the WWU Government Relations Office.

Since the last Board meeting in October, the Office of Government Relations has been working to promote WWU's 2014 Supplemental Operating and Capital budget Decision Packages for Carver Academic Facility construction and our Operating budget request for the Next Generation STEM Teacher preparation Decision Package.

We have had visits to campus by OFM staff and Senate legislators and Senate Ways and Means staff to tour and discuss the Carver project.

We have also been working closely with the other baccalaureate institutions as we develop a performance funding model for the state's public four-year institutions of higher education. The Task Force was established in the 2013-15 biennial operating budget and the recommendations are due to the legislature by Dec. 31st, 2013.

We have also been asked to put forward a request for funding Compass 2 Campus and will be working with our PSE colleagues to try to secure some base state funding for that program.

COMMUNITY DEVELOPMENT

Front Door to Discovery and Small Business Development Center

The 2013 Entrepreneurship Week was held in Bellingham November 18-25 and included a highly successful Startup Weekend event that was co-sponsored by Western Washington University's Front Door to Discovery program, Small Business Development Center, and three other Bellingham organizations.

The Startup Weekend was hosted at the Bellingham Big Idea Lab and had its largest field of entrepreneurs ever with more than 60 participants, including 35 Western students. The event included 18 mentors and four judges from the Bellingham business community. Both the first place and second place winning project teams included WWU students. The first place winning team drew a standing ovation from the other participants for their project which was titled "Almost Gentlemen." Their winning project will be presented at the Board of Trustees meeting on December 13th as a part of an update on the Front Door to Discovery Program.

Waterfront Development

The Bellingham City Council and the Port of Bellingham Commission are in the stretch run of meeting their respective goals of approving the Bellingham Waterfront Master Plan by the close of 2013.

Final review of the Master Plan was on the agenda for the Bellingham City Council meeting held on December 2nd and for the Bellingham Port Commission on December 3rd. Final approval was expected at those meetings, or at a subsequent December meeting. The plans affect 237 waterfront acres that extend around the bay from the I&J Waterway next to the Bellwether development, all the way to a large, new park site on a former city dump off the southern end of Cornwall Avenue. They include the Port of Bellingham property formerly owned by Georgia-Pacific Corp. Included in that site are six acres which have been classified as Institutional Mixed-Use, the area that WWU has identified for potential expansion to the waterfront.

In addition, the Bellingham Waterfront RFP Review Committee heard a presentation from Bellingham based Uniting Creatives Four Pillars Development on November 7th. The RFP Review Committee has now heard presentations from three developers who seek to be the lead developer for the Bellingham Waterfront Development project. A fourth developer, Viking Development of Bellingham, withdrew from consideration. The RFP Review Committee includes staff members from the Port and City of Bellingham, Mayor Kelli Linville, County Executive Jack Louws, Port Director Rob Fix, and Western representative Steve Swan.

In addition to Uniting Creatives Four Pillars Development, presentations were made by Williams/Dame and Associates of Portland, OR, and Harcourt Developments LTD of Ireland and their local partner Tin Rock Developments INC.

Western Window TV Show

The newest production of the Western Window television show is now available and can be viewed Saturday mornings at 11 a.m. on KVOS television. The station, which is offered on Comcast Cable TV, is available on local cable stations from Bellingham to Olympia. The show is also shown locally in Bellingham on the government access channel, BTV-10.

This new Western Window includes stories about WWU students performing service learning in Rwanda, the new Institute for Energy Studies, the nationally recognized Western Recycling

Center, and a behind the scenes look at a WWU lib-dub created by the Associated Students. Here is a [link](#) to the newest Western Window.

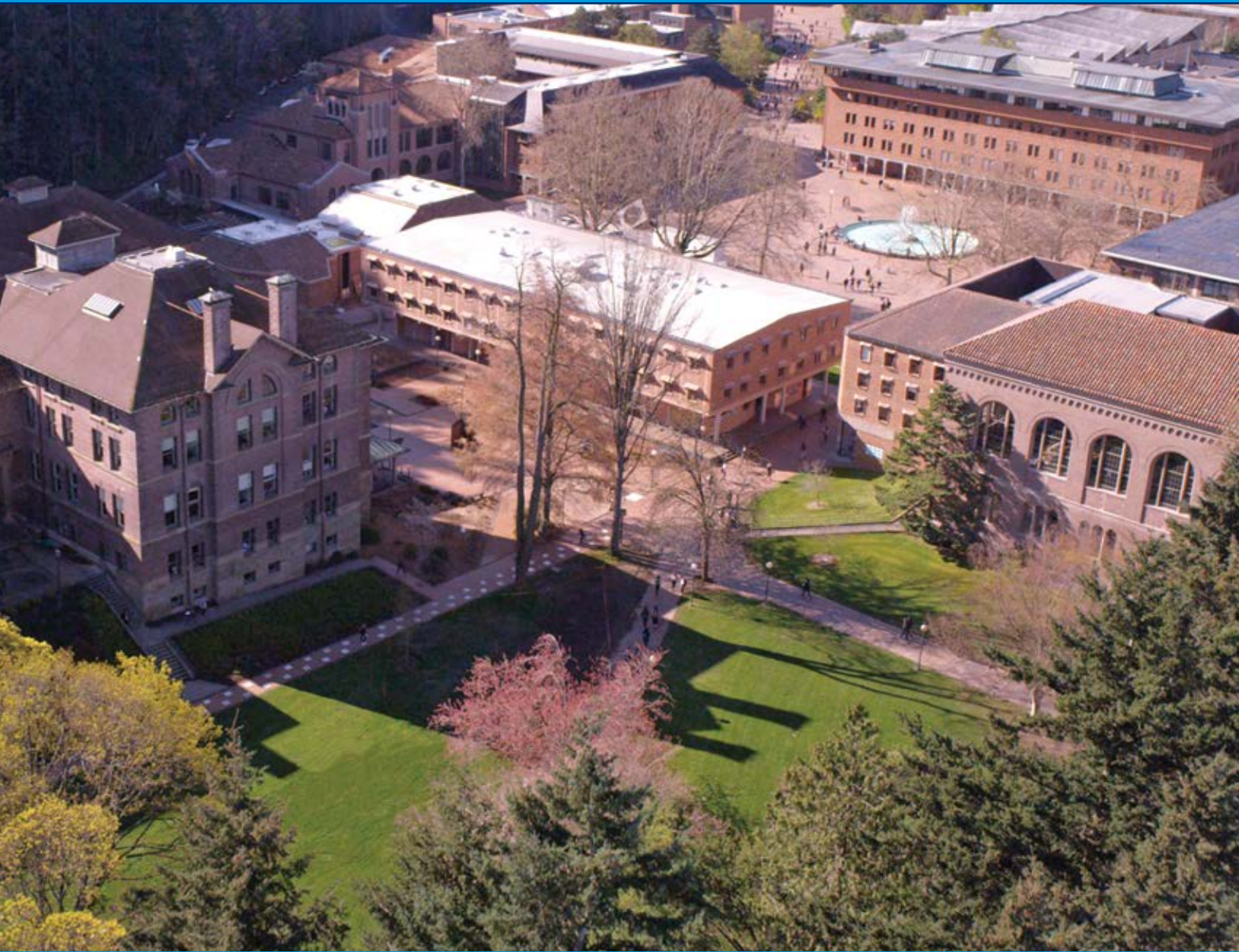
OFFICE OF COMMUNICATIONS AND MARKETING

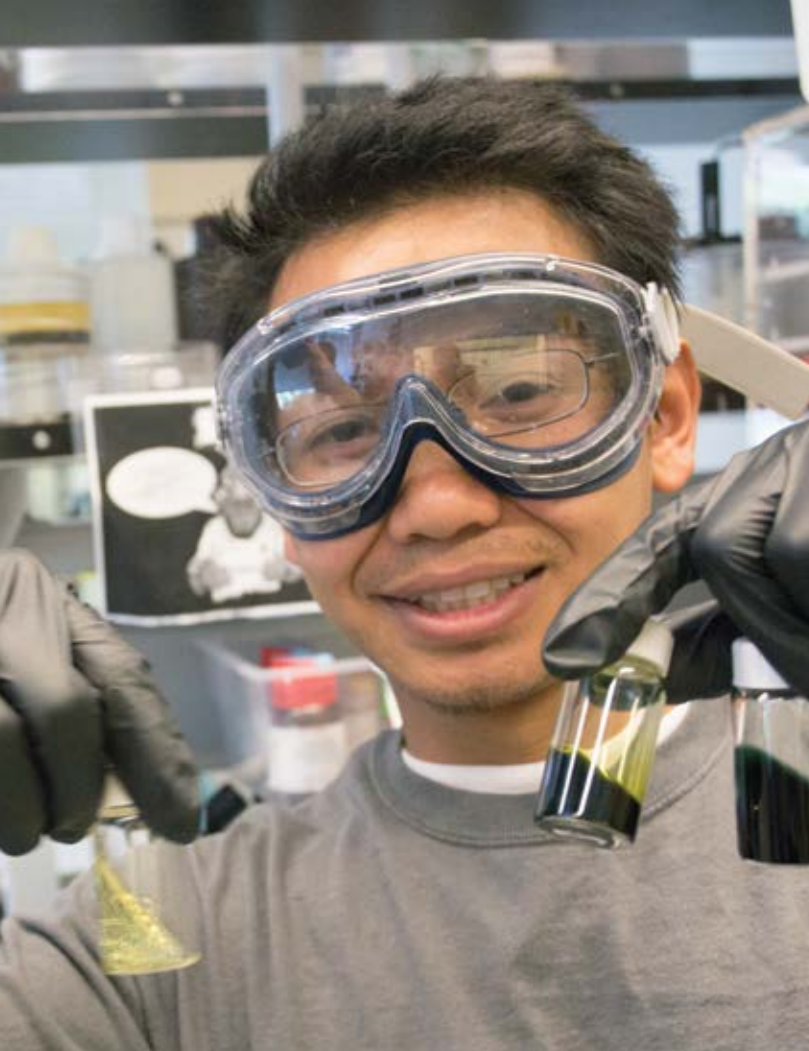
Our skilled professionals worked hard on a wide range of online, print, social media, video and graphic design communications and marketing, which included:

- Our staff successfully helped place a number of prominent stories in the media, including response to the recent riot near campus. The university quickly responded to highly negative local, state and national media coverage, with a statement [by President Shepard and AS President Carly Roberts](#) disseminated widely to the campus and media, followed by numerous interviews with local, area and statewide media, including the [Associated Press](#), Seattle TV stations, the Bellingham Herald, as well as an op-ed column in the Bellingham Herald [co-authored by Bruce and Roberts](#). Later, [a guest column co-authored](#) by Bruce and Bellingham Mayor Kelli Linville provided an update on how the city and university are working together in proactive response.
- Other media included a front-page Skagit Valley Herald story on [Woodring College partnerships in Skagit County schools](#) to diversify teaching ranks (similar to a recent BOT presentation on the same topic). And the Seattle Times noted [Western's record-breaking freshman class](#).
- Window magazine, edited by **Mary Gallagher**, has hit the mailboxes of about 100,000 alumni, donors and other friends of Western. The largest edition ever includes stories about two alumni who hiked, paddled and skied from Bellingham to western Alaska, a faculty member whose family donated a precious artifact from the civil rights movement to the Smithsonian, and a map of where alumni authors got their inspiration on Western's campus.
- New Media Coordinator **Matthew Anderson** reports a massive growth lately in Instagram at WWU, especially among prospective students. So Western's social media subcommittee will be rolling out new features – faculty, staff and student profiles, for example – on that platform. They also plan to start introducing three-minute mini lectures from faculty on a specific area of research interest.
- Led by Assistant Director/Manager of Marketing **John Thompson**, the office is putting the final edits on the 30-second TV spot that will air regionally during Western's basketball games this winter; the piece will also run on Western's home page and continues to push the "Location, Education, Reputation" theme developed in concert with the University's Marketing Committee. The office also finished work on the annual holiday e-card message to campus, featuring narration by President Shepard and music by students from Western's Music Department.
- Booking **faculty speakers** by **Pam Smith** through Western's Speakers Bureau.
- Completion of **graphic design projects** by **Chris Baker** and **Derek Bryson** with many campus offices, including: flash ads for the Seattle Times special higher education publication; Campus Directory; flier, digital display ad and program for 2013 Munro Seminar for Civic Education; Window magazine; Commencement materials; logo design for Fairhaven College Special Quarter Winter 2014 focused on Environmental Justice and Climate Change; Office of Sustainability – Sustainable Office Certification and 10x12 Program certificates for Sustainability Week; social branding for Canadian-American Studies; media guides for men's and women's basketball; assist with student publications Planet and Klipsun, and numerous other graphic design projects for colleges, departments and offices across campus.



FINANCIAL REPORT 2013





FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION

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November 7, 2013

Peggy Zoro, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Chair Zoro:

We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of WWU are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statement for the year ended June 30, 2013. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statement. Western Washington University is recognized nationwide as a premier public comprehensive university. Western Washington University is the highest-ranking public, master's-granting university in the Pacific Northwest, according to the 2013 U.S. News & World Report college rankings. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand", factors which will continue to help it weather the current economic challenges.

Sincerely,



Bruce Shepard
President



Richard Van Den Hul
Vice President for Business and Financial Affairs

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Michael Ulrich, Accounting Manager, Accounting Services



OVERVIEW

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (WWU) for the years ended June 30, 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.

WWU is one of six public, four-year institutions of higher education in the state of Washington. WWU is governed by a Board of eight Trustees, which has broad responsibilities to supervise, coordinate, manage and regulate WWU as provided by State law. Trustees are appointed by the Governor for a term of six years, except a student Trustee who is appointed to a one-year term.

As a comprehensive regional university, WWU offers undergraduate and graduate degrees in over 160 academic programs in its eight colleges. WWU is the highest-ranking public, master's-granting university in the Pacific Northwest, according to the 2013 U.S. News & World Report college rankings. U.S. News and World Report also placed Western on the 2013 list of Highly Ranked Universities that Operate Most Efficiently.

WWU was established in 1893 and currently has approximately 15,000 full-time and part-time students. Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities. WWU is the second largest employer in Whatcom County.

Using the Financial Statement

WWU's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statement. The Statement of Net Position provides information about WWU at a moment in time, the June 30 fiscal year end. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about WWU's activities and operations during the fiscal year. The financial statement, in conjunction with the Notes to the Financial Statement, provides a comprehensive way to assess WWU's financial health.

WWU's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. WWU's component unit, the Western Washington University Foundation (Foundation) is a separate legal entity and reports its financial results under Financial Accounting Standards Board (FASB) principles. The Foundation's financial statements are reported separately within this report.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

WWU's overall financial position continued to improve in fiscal 2013, although at a slower pace than in recent fiscal years.

Significant actions which occurred during the fiscal year include:

- Tuition and fees increased 14% in 2013 over 2012
- State appropriation decreased for fourth year straight, by 7% in 2013 over 2012
- Faculty salaries increased 4.25%, first increase since 2008
- Refunded Housing & Dining Bonds with net present value savings of \$871 thousand
- Increased Scholarships by \$1.5 million

Statement of Net Position

The Statement of Net Position presents the financial condition of WWU at the end of the last three fiscal years and report all assets and liabilities of WWU.

A summarized comparison of WWU's assets, liabilities and net position as of June 30, 2013, 2012 and 2011, follows:

| | 2013 | 2012 | 2011 |
|---------------------------|-------------------------------|------------------|------------------|
| | <i>(Dollars in thousands)</i> | | |
| Assets | | | |
| Current assets | \$70,480 | \$77,396 | \$61,660 |
| Noncurrent assets | 60,448 | 47,515 | 52,958 |
| Capital assets, net | 441,496 | 442,253 | 435,638 |
| Total assets | 572,424 | 567,164 | 550,256 |
| Deferred outflows | 1,798 | 1,644 | 1,317 |
| Liabilities | | | |
| Current Liabilities | 31,450 | 30,634 | 31,323 |
| Noncurrent Liabilities | 84,919 | 85,777 | 83,337 |
| Total liabilities | 116,369 | 116,411 | 114,660 |
| Total net position | \$457,853 | \$452,397 | \$436,913 |

Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable from students. The \$6.9 million decrease (-8.9%) in current assets in fiscal 2013 is primarily due to decreases in cash and cash equivalents and funds held with the State Treasurer offset by an increase in accounts receivable, net. The \$5.5 million decrease (-13.4%) in cash and cash equivalents is a result of changing investment strategy to a larger allocation of longer duration fixed income investments. The \$5.6 million decrease (-64.2%) in the funds with the State Treasurer is attributable to spending fiscal 2012 Certification of Participation (COP) proceeds for an energy savings capital project, along with an increase in spending Permanent funds for building maintenance and classroom and lab upgrades. The offsetting \$2.5 million (51.4%) increase in accounts receivable, net is due to timing of tuition due dates between fiscal year end 2013 and fiscal year end 2012. The \$15.7 million (25.5%) increase in total current assets during fiscal 2012 compared to fiscal 2011 is primarily due to an increase of \$7.1 million (20.8%) in current cash and cash equivalents as a result of maturing investments coupled with increases of \$3.9 million (79.4%) in Funds with the State Treasurer and \$4.4 million (27.2%) in short-term investments. The increase in Funds with the State Treasurer is attributable to \$2.7 million in unspent Certificate of Participation (COP) funding to be used to fund an energy savings capital project during fiscal 2013. The increase in short-term investments is due to maturing investments at fiscal year-end.

Noncurrent assets (excluding capital assets) increased during fiscal 2013 by \$12.9 million (27.2%) primarily due to a \$14.3 million increase (42.9%) in investments, as the investment strategy shifted the allocation to longer-term investments. Noncurrent assets (excluding capital assets) decreased \$5.4 million (-10.3%) when comparing fiscal 2012 to fiscal 2011 due to changes in restricted cash and cash equivalents offset by changes in restricted and long-term investments and the recording of a pledged gift from the Western Washington University Foundation (the Foundation). The decrease of \$1.7 million (-53.7%) in restricted cash and cash equivalents is due to spending down the remaining \$2.1 million 2009 bond funds paired with increases in restricted cash and cash equivalents from the Student Recreation Center's renewal and replacement fund and additional bond proceeds from the Revenue and Refunding Series 2012 issuance. During the annual fiscal 2013 financial statement audit of the Foundation, a component unit of WWU, it was discovered that an unconditional pledged gift of \$1.0 million that occurred in April 2012 was not recognized by the Foundation in fiscal 2012 and as such was not recorded with WWU during fiscal 2012. The purpose of the pledged gift is to provide resources for the design and construction of the Multipurpose Field project. Payments to WWU are scheduled over 8 years. The pledged gift is recorded at its noncurrent net present value of \$864,314 and \$909,216 for fiscals 2013 and 2012, respectively with the discount amortized over the life of the pledge. These resources are recorded as restricted net position.

Deferred outflows

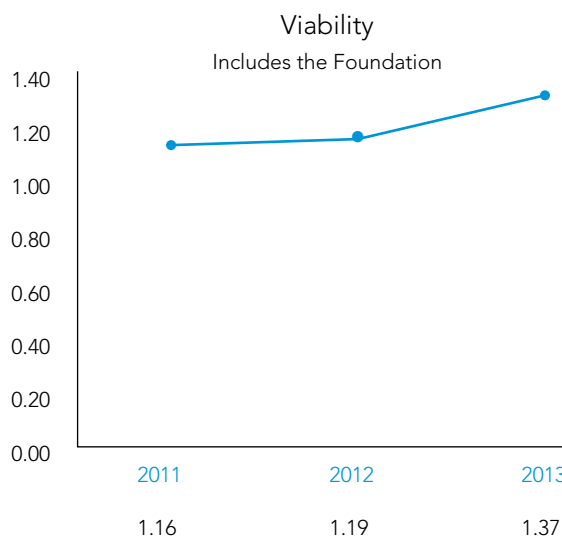
Deferred outflows increased during fiscal 2013 by \$154 thousand to \$1.8 million primarily due to the change in the loss on defeasance created by the advanced refunding of the Housing & Dining series 2003 Revenue and Refunding bonds. The \$1.8 million of total loss on defeasance is amortized over the life of the bonds as a component of interest expense. When comparing fiscal 2012 to fiscal 2011, deferred outflows increased \$327 thousand due to the current refunding in fiscal 2012 of the Wade King Recreation Center’s series 2002 Revenue Bonds.

Liabilities

The excess of current assets over current liabilities of \$39.0 million in fiscal 2013 and \$46.7 million in fiscal 2012 reflects the continuing ability of WWU to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of Accounts Payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year. Current liabilities increased \$815 thousand (2.7%) when comparing fiscal 2013 to fiscal 2012 primarily due to a \$1.1 million (11.2%) increase in unearned revenue and deposits payable, offset by a \$477 thousand (-4.8%) decrease in accounts payable and accrued liabilities. Current liabilities decreased \$689 thousand (-2.2%) when comparing fiscal 2012 to fiscal 2011 primarily due to the decrease in accounts payable and accrued liabilities of \$656 thousand (-6.2%). Unearned revenues increased \$835 thousand (12.8%) and \$308 thousand (4.9%) in fiscals 2013 and 2012, respectively. These unearned revenue increases are largely attributable to a 16.0% summer session undergraduate tuition increase, a 13.4% increase in Extended Education programs and the implementation of a specialized grant module in WWU’s financial system which allows for more accurate recording of unearned grant revenue. During fiscal 2013, the current portion of bonds and notes payable increased \$207 thousand (6.4%) due to the addition of a Certificate of Participation (COP) for the purchase of new computer hardware as well as scheduled principal payments. During fiscal 2013, the Housing and Dining System advanced refunded the existing Series 2003 Revenue and Refunding bonds with Series 2012 Refunding Bonds. This bond series did not have a principal payment during fiscal 2013. During fiscal 2012, the current portion of bonds and notes payable decreased \$377 thousand (-10.4%) due to the current refunding of the Recreation Center’s revenue bonds series 2002 and the addition of a State COP to fund an energy savings capital project. In April 2012, WWU issued Revenue and Refunding Bonds Series 2012 to refund the Recreation Center’s revenue bonds series 2002. The series 2012 bonds do not have a current portion due until fiscal 2015 as part of the debt service savings.

Long-term liabilities decreased \$858 thousand when comparing fiscal 2013 to fiscal 2012 primarily due to scheduled principal payments and amortizations in the amount of \$2.9 million offset by an increase of \$2.1 million (40.7%) in the unfunded long-term net pension obligation to certain state employees based on the estimated State Actuarial valuation of the plan. Long-term liabilities increased \$2.4 million (2.9%) when comparing fiscal 2012 to fiscal 2011 due to a net increase in bonds and notes payable and a \$1.3 million (31.5%) increase in unfunded net pension obligation. The net increase in bonds and notes payable includes the addition of a \$3.0 million State COP to fund an energy savings capital project and net savings of \$1.9 million in refunding outstanding Student Recreation Center bonds offset by \$1.1 million in additional bond funds to be used for development of the Multipurpose Field capital project in fiscal 2013 and 2014.

The Viability ratio measures one of the most basic determinants of clear financial health – the availability of expendable net position to cover debt should WWU need to settle its obligations as of the balance sheet date. A positive ratio indicates to what degree net position is available to cover long-term debt. A ratio of 1:1 or greater indicates sufficient expendable net position to satisfy debt obligations.



Net Position

The difference between total assets and total liabilities is net position, or equity. The change in net position measures whether the overall financial condition has improved or deteriorated during the year. The net position is reported in the following categories:

Net Investment in Capital Assets – WWU's total investments in property, plant equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted:

- Nonexpendable consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- Expendable are resources which WWU is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.

Unrestricted – All remaining funds available to the institution for any purpose, although these are often internally designated for specific purposes.

WWU's net position as of June 30, 2013, 2012 and 2011 are summarized as follows:

| | 2013 | 2012 | 2011 |
|----------------------------------|-------------------------------|------------------|------------------|
| | <i>(Dollars in thousands)</i> | | |
| Net Position | | | |
| Net investment in capital assets | \$363,010 | \$361,803 | \$357,815 |
| Restricted: | | | |
| Nonexpendable | 4,629 | 4,629 | 4,629 |
| Expendable | 28,701 | 30,419 | 24,391 |
| Unrestricted | 61,513 | 55,546 | 50,078 |
| Total net position | <u>\$457,853</u> | <u>\$452,397</u> | <u>\$436,913</u> |

Net investment in capital assets increased \$1.2 million (0.3%) during fiscal 2013 primarily due to an increase in capital assets of \$23.5 million offset by a net increase of \$21.7 million in depreciation and a decrease of \$2.9 million in long-term debt. Net investment in capital assets increased \$4.0 million (1.1%) in fiscal 2012 when compared to fiscal 2011 due to the completions of the Buchanan Towers addition and the Miller Hall renovation and increases to construction in progress for various new capital projects, offset by an increase of \$856 thousand (1.1%) in long-term debt.

Highlights of fiscal 2013 capital asset activities:

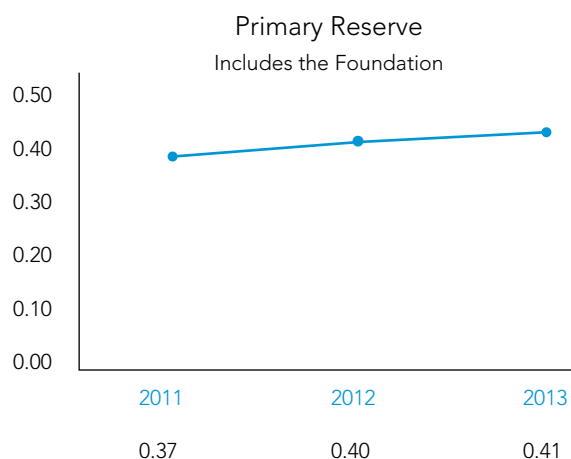
- Construction in process increased \$12.0 million primarily due to \$4.3 million spent on the Carver Gym renovation design, \$3.3 million spent on classroom and laboratory upgrades, \$2.8 million spent on Fraser Hall lecture rooms and \$2.8 million spent on the ESCO project.
- Capital improvements to buildings increased \$6.3 million primarily due to completed renovations to the Ridgeway Beta residence hall.
- Capital equipment purchases increased \$4.1 million largely due to WIFI equipment upgrades in the residence halls.
- Long-term debt used to purchase capital assets decreased \$2.9 million due to principal payments and amortizations.
- Capital assets were reduced by \$2.6 million due to certain items (including library publications and capital master plan) that did not meet Western's criteria for capitalization and as such were expensed.

Restricted nonexpendable includes donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. When comparing fiscal 2013 to fiscal 2012 and fiscal 2012 to fiscal 2011, there were no changes to restricted nonexpendable net position as no new additions to endowments were received.

Restricted expendable net position decreased 1.7 million (-5.6%) during fiscal 2013 primarily due to increased spending of the Permanent Fund (Funds with the State Treasurer) on classroom and laboratory upgrades along with renovations to campus buildings. Restricted expendable increased \$6.0 million (24.7%) in fiscal 2012 compared to fiscal 2011, primarily due to a \$3.8 million (79.4%) increase in Funds with the State Treasurer and a \$1.2 million (9.3%) increase in the institutional financial aid fund, which is collected as a part of tuition. The increase in Funds with the State Treasurer is primarily due to funds held on behalf of WWU to fund a capital energy savings project. In addition, the Foundation made a \$1.0 million multi-year unconditional pledged gift, which is recorded at its net present value of \$959,216. This fiscal 2012 pledge was discovered during the Foundation's fiscal 2013 financial statement audit.

Unrestricted net position increased \$6.0 million (10.7%) in fiscal 2013 primarily due to increases in tuition and fees. Unrestricted increased \$5.5 million (10.9%) when comparing fiscal 2012 to fiscal 2011 due to increases in tuition and fees, Housing & Dining capital reserves, and administrative overhead revenue generated by the Carver Gym project.

The Primary Reserve ratio measures the financial strength of WWU by comparing expendable net position to total expenses. A ratio of .40 or better is advisable to give the institution the flexibility to transform the enterprise. This represents WWU's ability to carry on a reasonable level of activities and manage modest unforeseen adverse financial events. It is important to note that if a catastrophic event were to happen, the normal revenue cycles would be interrupted and this reserve would be depleted at a much faster rate due to the need to address the event expenses at levels above the normal operating expense.



Capital Assets and Related Debt

During fiscal 2013 and fiscal 2012, \$18.3 million and \$16.7 million (excluding library materials and equipment) respectively, were expended on capital improvements compared to \$35.8 million in fiscal 2011. Of the \$18.3 million in capital improvements during fiscal 2013, \$4.3 million on the design of Carver Gym renovations, \$3.3 million was expended on classroom and laboratory upgrades \$3.2 million was spent on academic building renewals, \$2.8 million on energy savings and \$4.0 million on Housing & Dining residence facilities. In addition to the \$18.3 million, the dining contract with Aramark provides a financial commitment up to \$7.3 million in dining area improvements. During fiscals 2013 and 2012, the financial commitments were valued at \$535 thousand and \$4.3 million in capitalized improvements, respectively.

Specific projects completed or underway in fiscal 2013 include:

Carver Gymnasium Renovations The estimated \$75.6 million addition of 41,977 square feet will provide additional general classroom seats as well as dedicated lab and instructional spaces that will allow the consolidation and growth of student activities and conferences will also be service in the refurbished 2,600 seat event space. State funding for this project was not achieved for the 2013-2015 biennium. Funding is anticipated during the 2015-2017 biennium.

Multipurpose Field 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 and intramurals by servicing the growing needs of the intramural and sport club system. This project is partially funded by \$1.1 million acquired through the fiscal 2012 Wade King Recreation Center bond refunding along with a \$1.0 million unconditional pledged gift from the Foundation.

Classroom & Laboratory Upgrades WWU has maintained a continuous renovation program over many years to upgrade General University classrooms and general use lab spaces. The estimated \$4.9 million program is vital to the function of the campus and has ensured that General University learning space is up-to-date, offers a high level of relevant technology and is adaptable to accommodate various learning modalities. This project is funded using Permanent Funds and state capital appropriations.

Energy Services Performance Contract (ESCO) The estimated \$3.2 million project was initiated in order to advance the University's sustainability goals and reduce its carbon footprint. The project implemented 38 separate facility improvement measures in various academic and auxiliary buildings identified by an energy audit of WWU's campus. The project includes lighting controls and energy efficient lamps. Also, additional insulation in attic spaces, upgrades to existing heating, ventilating and air conditioning (HVAC) equipment controls and water conservation measures in 23 academic buildings, Wade King Student Recreation Center and four residence halls. WWU secured funding using a \$3.0 million Certificate of Participation.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present WWU's results of operating and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

A condensed comparison of WWU's revenues, expenses and changes in net position for the years ended June 30, 2013, 2012 and 2011 follows:

| | 2013 | 2012 | 2011 |
|-------------------------------------|-------------------------------|-----------|-----------|
| | <i>(Dollars in thousands)</i> | | |
| Operating revenues | \$196,940 | \$182,100 | \$167,904 |
| Operating expenses | 255,965 | 235,518 | 244,230 |
| Operating loss | (59,025) | (53,418) | (76,326) |
| State appropriations revenue | 40,052 | 43,083 | 63,761 |
| Other nonoperating revenues | 16,460 | 14,468 | 16,355 |
| Nonoperating expenses | (3,653) | (4,277) | (4,061) |
| (Loss) income before other revenues | (6,166) | (144) | (271) |
| Other revenues | 11,622 | 15,628 | 27,395 |
| Increase in net position | 5,456 | 15,484 | 27,124 |
| Net position, beginning of year | 452,397 | 436,913 | 409,789 |
| Net position, end of year | \$457,853 | \$452,397 | \$436,913 |

Primary Funding Sources

WWU relies primarily on student tuition and fees and state appropriations as revenue sources to support operations. Tuition revenue, net of scholarship allowances, has continued to grow, increasing \$11.2 million (11.2%) and \$11.5 million (13.0%) in fiscal 2013 and fiscal 2012, respectively. During fiscal 2013, WWU provided \$25.8 million in financial aid in the form of scholarship allowances that offset tuition and fees, compared to \$20.7 million in fiscal 2012 and \$18.4 million in fiscal 2011.

The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at WWU: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. Tuition increased 16.0% during fiscals 2013 and 2012 and 14.0% during fiscal 2011 with enrollment decreasing slightly to an average annual headcount of 13,470 in fiscal 2013 compared to 13,513 in fiscal 2012 and 13,521 students in fiscal 2011.

During fiscal 2013, state appropriations used for operations declined \$3.0 million (-7.0%) compared to a decline of \$20.7 million (-32.4%) in fiscal 2012. The decrease during fiscal 2013 is due to a slight reduction in state funding as the previous budget challenges leveled off. The fiscal 2012 decrease is attributable to ongoing budget challenges at the state level that resulted in a reduction of \$12.4 million in state appropriations to WWU, along with an \$8.3 million reduction in capital appropriations used for operations as these capital expenditures are below WWU's capitalization threshold.

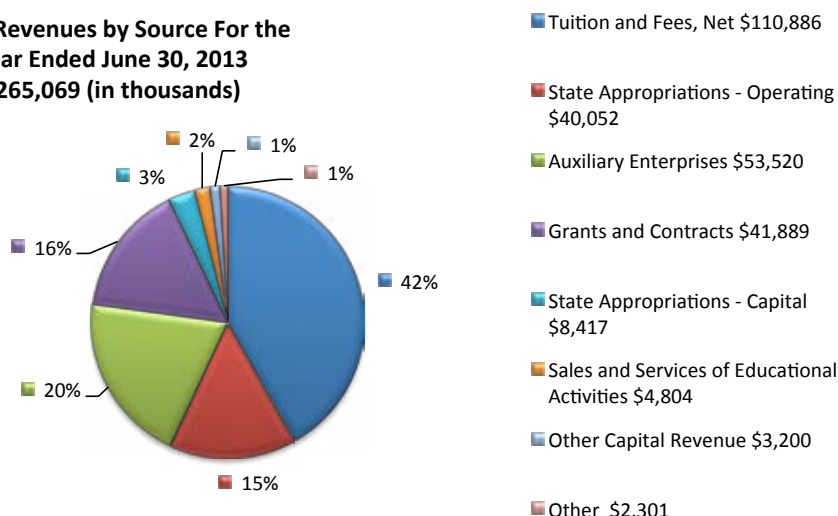
Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and WWU is entitled to receive the cash. Capital appropriations increased slightly by \$1.5 million during fiscal 2013 although no new major capital projects were underway. Capital appropriations decreased \$17.3 million (-71.5%) when comparing fiscal 2012 to fiscal 2011 as previously existing capital major projects had been completed.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund and capital gifts/contributions received. The decrease of \$4.6 million (-58.9%) during fiscal 2013 is attributable to the reduced Aramark capital contribution. Aramark has agreed to provide up to \$7.3 million in funding for renovations and improvements to several dining areas at WWU. The majority of the improvements are reported as capitalized assets on the Statement of Net Position. The increase of \$4.6 million (141.1%) in fiscal 2012 is due to a gift from the Western Washington University Foundation of \$1.1 million for capital improvements to the women's softball field along with a capital contribution of \$4.3 million from Aramark, offset with reduced investment earnings on the Permanent Fund. The capital contribution from Aramark is part of the dining services contract.

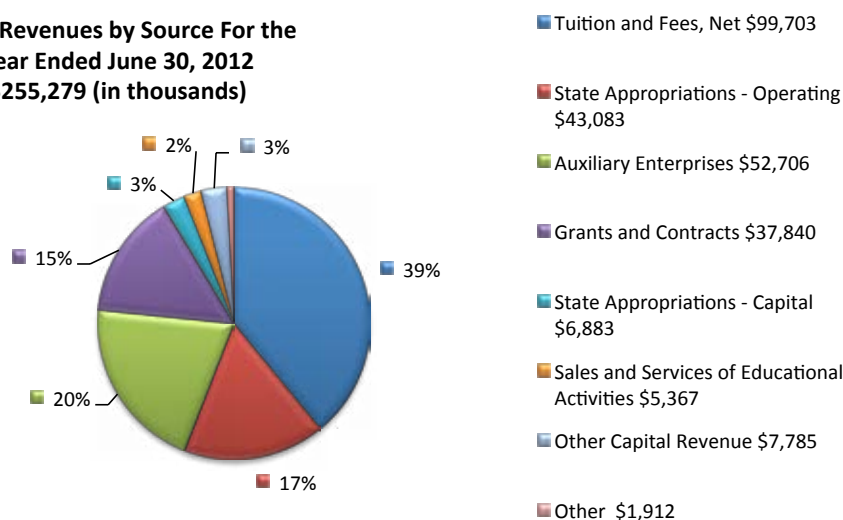
In April 2012, WWU received a \$1.0 million unconditional pledged gift from the Foundation for the purpose of design and construction of the Multipurpose Field project. The pledged gift is scheduled to have 8 annual payments. This gift is recorded at its present value, with the discount amortized over the term of the pledged period using the straight line method. During the fiscal 2013 financial statement audit of the Foundation, it was discovered that this unconditional pledged gift was not recognized by the Foundation and as such was not recorded with WWU during fiscal 2012 when it occurred. During fiscal 2013, WWU recorded the non-operating pledged revenue to fiscal 2012. The first installment payment of \$50 thousand did not materialize during fiscal 2013 and will be paid in fiscal 2014.

The following graphs illustrate revenues by source for the years ended June 30, 2013 and 2012:

Total Revenues by Source For the Year Ended June 30, 2013
\$265,069 (in thousands)



Total Revenues by Source For the Year Ended June 30, 2012
\$255,279 (in thousands)



WWU's operating expenses increased \$19.4 million (8.2%) during fiscal 2013 and decreased \$8.7 million (-3.6%) when comparing fiscal 2012 to fiscal 2011. The fiscal 2013 increase is primarily due to salary and supplies increases. A portion of the fiscal 2012 reduction can be attributed to decreased salary and wages and benefits expense.

Salary and wages and benefits expenses increased \$7.7 million (5.0%) when comparing fiscal 2013 to fiscal 2012 primarily due to a negotiated increase in faculty salaries of \$4.2 million combined with a \$2.3 million increase in the amortization of the supplemental pension liability. When comparing fiscal 2012 to fiscal 2011, salaries and wages decreased \$3.5 million primarily due to the elimination of positions through attrition and layoffs.

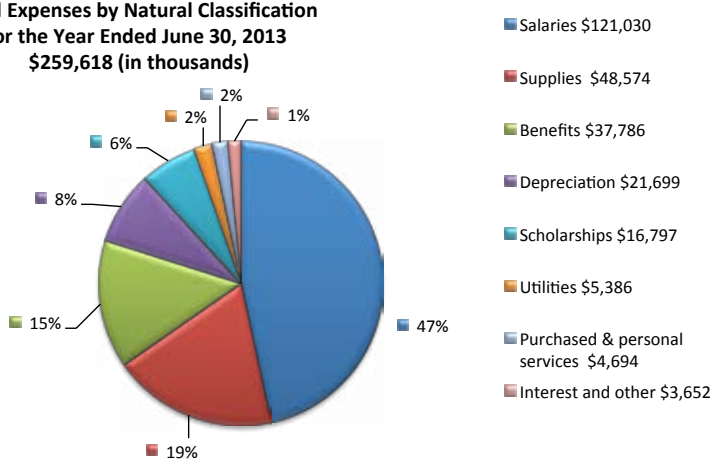
Scholarships and fellowships increased in fiscal 2013 \$1.5 million (9.9%) due to increases in financial aid payments made directly to students. Scholarships and fellowships decreased in fiscal 2012 by \$2.5 million (-14.2%) when compared to fiscal 2011 due to decreases in financial aid payments made directly to students for non-institutional expenses.

Supplies and materials increased \$9.2 million (23.3%) primarily due to a \$3.1 million increase in non-capitalized repairs and maintenance to campus buildings and facilities and \$2.6 million expended for library purchases and other items that were originally included in fiscal 2012 as a capital asset but were later deemed to not meet the capitalization threshold. Supplies and materials decreased \$4.5 million (-10.3%) when comparing fiscal 2012 to fiscal 2011 due to a reduction in non-capitalized office furnishing purchases with the completion of Miller Hall.

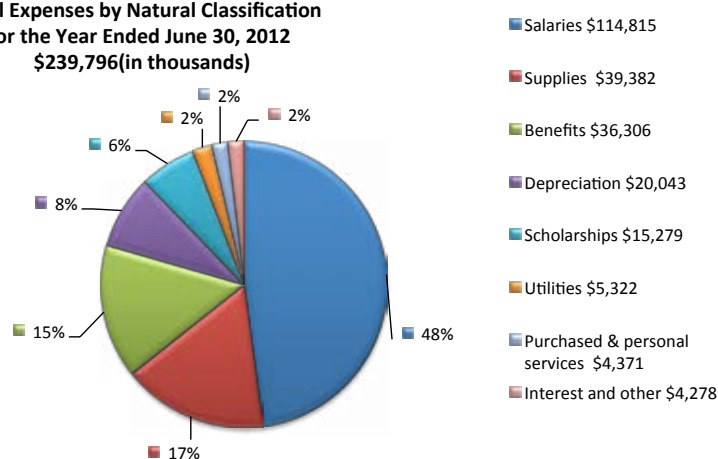
Depreciation expense increased \$1.7 million (8.3%) during fiscal 2013 and \$2.0 million (10.9%) during fiscal 2012 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2013 and 2012:

Total Expenses by Natural Classification for the Year Ended June 30, 2013
\$259,618 (in thousands)



Total Expenses by Natural Classification for the Year Ended June 30, 2012
\$239,796 (in thousands)



Operating Loss

WWU's operating losses were \$59.0 million in fiscal 2013, an increase of \$5.6 million (10.5%) from fiscal 2012, and \$53.4 million in fiscal 2012, a decrease of \$22.9 million (-30.0%) from fiscal 2011. Operating revenues increased \$14.8 million (8.2%) during fiscal 2013 and increased \$14.2 million (8.5%) during fiscal 2012, while operating expenditures increased in fiscal 2013 by \$19.4 million (8.2%) and decreased by \$8.7 million (-3.6%) fiscal 2012. The increases in operating revenue are largely due to the 16.0% tuition rate increases in fiscal 2013 and fiscal 2012, respectively.

GASB standards require that State appropriations and Federal Pell grants are classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating loss in fiscal 2013 would have been \$3.4 million and the operating gain would be \$3.6 million in fiscal 2012.

Economic Factors That Will Affect the Future

WWU received a 28% funding increase in the Washington state 2013-2015 biennial budget. The \$22.9 million in additional state appropriations include \$9.5 million to restore base cuts from prior biennium, \$2.9 million to expand WWU's Computer Science and Engineering programs and \$10.5 million in new institutional funding. While this is a significant increase in state appropriations, WWU remains cautiously optimistic about future appropriations due to legislative actions that may or may not change our funding levels in the future.

As a result of the increased state appropriations, WWU will hold the academic year 2013-2014 tuition rates at the 2012-2013 level for undergraduate resident students. The non-resident undergraduate, resident graduate, non-resident graduate and the Masters in Business Administration rates for resident and non-resident students will increase 3%.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 22, 2013

Board of Trustees
Western Washington University
Bellingham, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Western Washington University, 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 University'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 did not audit the financial statements of the Western Washington University Foundation, a discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Western Washington University Foundation, is based solely on the report of the other auditors. 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 University'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 University'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 are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental and business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Western Washington University, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

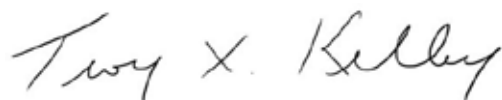
As described in Note 1, during the year ended June 30, 2013, the University has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

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 5 through 13 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

Statement of Net Position

Financial Report 2013

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 3) | \$35,598,392 | \$41,090,684 |
| Investments (Note 4) | 21,721,286 | 20,354,587 |
| Funds with State Treasurer (Note 5) | 3,132,895 | 8,743,359 |
| Interest receivable | 644,030 | 565,983 |
| Accounts receivable, net (Note 6) | 7,402,884 | 4,891,069 |
| Pledged gift receivable from the Foundation (Note 24) | 100,000 | 50,000 |
| Prepaid expenses | 510,507 | 413,261 |
| Inventories (Note 8) | <u>1,370,459</u> | <u>1,286,705</u> |
| Total current assets | 70,480,453 | 77,395,648 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents (Note 3) | 1,123,060 | 1,461,832 |
| Restricted investments (Note 4) | 12,291,656 | 9,024,321 |
| Investments (Note 4) | 35,453,680 | 24,396,299 |
| Due from State Treasurer | 2,902,710 | 3,375,099 |
| Student loans receivable, net (Note 7) | 7,711,713 | 7,778,036 |
| Pledged gift receivable from the Foundation (Note 24) | 864,314 | 909,216 |
| Non-depreciable capital assets (Note 9) | 36,500,470 | 24,544,930 |
| Depreciable capital assets, net (Note 9) | 404,995,776 | 417,707,959 |
| Other assets (Note 1) | <u>100,438</u> | <u>570,717</u> |
| Total noncurrent assets | <u>501,943,817</u> | <u>489,768,409</u> |
| Total assets | <u>572,424,270</u> | <u>567,164,057</u> |
| Deferred outflows | | |
| Deferred loss on bond refunding | 1,797,593 | 1,643,980 |
| Total deferred outflows | <u>1,797,593</u> | <u>1,643,980</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 9,527,565 | 10,004,791 |
| Deposits payable | 2,738,929 | 2,513,625 |
| Unearned revenues | 7,371,333 | 6,536,220 |
| Compensated absences (Note 11) | 7,768,373 | 7,788,971 |
| Current portion of bonds and notes payable (Notes 12,13,15) | 3,461,463 | 3,254,025 |
| Current portion of net pension obligations (Note 15,19) | 376,000 | 214,000 |
| Deposits held in custody for others | <u>205,890</u> | <u>322,616</u> |
| Total current liabilities | 31,449,553 | 30,634,248 |
| Noncurrent liabilities: | | |
| Long-term portion of bonds and notes payable (Note 12, 13,15) | 77,534,122 | 80,528,094 |
| Long-term net pension obligations (Note 15,19) | <u>7,384,970</u> | <u>5,248,938</u> |
| Total noncurrent liabilities | <u>84,919,092</u> | <u>85,777,032</u> |
| Total Liabilities | <u>116,368,645</u> | <u>116,411,280</u> |
| Net Position | | |
| Net investment in capital assets | 363,010,380 | 361,802,573 |
| Restricted for: | | |
| Nonexpendable: scholarships and professorships | 4,629,007 | 4,629,007 |
| Expendable: | | |
| Instruction and research | 2,855,267 | 2,449,905 |
| Loans | 14,321,853 | 14,001,443 |
| Capital Projects | 11,524,286 | 13,967,401 |
| Unrestricted | <u>61,512,425</u> | <u>55,546,428</u> |
| Total net position | <u>\$457,853,218</u> | <u>\$452,396,757</u> |

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Assets | | (Restated) |
| Cash and cash equivalents | \$437,771 | \$1,750,884 |
| Unconditional promises to give, net | 4,342,482 | 4,122,935 |
| Investments: | | |
| Operating investment pool | 10,757,553 | 9,298,513 |
| Endowment investment pool | 48,527,533 | 42,248,335 |
| Endowment real estate held for investment | 2,789,800 | 2,659,200 |
| Annuity and life income investments | 4,241,160 | 4,157,673 |
| Real property and notes receivable | <u>192,757</u> | <u>458,757</u> |
| Total investments | 66,508,803 | 58,822,478 |
| Other assets | 116,964 | 22,985 |
| Property and equipment, net | <u>569,285</u> | <u>16,843</u> |
| Total Assets | <u>71,975,305</u> | <u>64,736,125</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | 193,165 | 265,845 |
| Due to Western Washington University | 274,461 | 321,390 |
| Gift payable to Western Washington University, net | 964,314 | 959,216 |
| Annuity and life income obligations | 1,323,278 | 1,339,382 |
| Investments held in trust for Western Washington University | 10,719,104 | 9,632,996 |
| Contingent obligation to Northwest Indian College Foundation | <u>1,089,135</u> | <u>1,020,031</u> |
| Total Liabilities | 14,563,457 | 13,538,860 |
| Net Assets | | |
| Unrestricted | 14,230,832 | 10,904,221 |
| Temporarily restricted | 18,119,831 | 16,961,391 |
| Permanently restricted | <u>25,061,185</u> | <u>23,331,653</u> |
| Total Net Assets | <u>57,411,848</u> | <u>51,197,265</u> |
| Total Liabilities and Net Assets | <u>\$71,975,305</u> | <u>\$64,736,125</u> |

Statements of Revenues, Expenses, and Changes in Net Assets

Financial Report 2013

| | 2013 | 2012 |
|--|----------------------|----------------------|
| Operating Revenues | | |
| Student tuition and fees | \$136,690,266 | \$120,437,058 |
| Less scholarship allowances | <u>(25,804,362)</u> | <u>(20,733,825)</u> |
| Net student tuition and fees | 110,885,904 | 99,703,233 |
| Federal grants and contracts | 7,058,646 | 6,940,282 |
| State and local grants and contracts | 17,594,759 | 14,279,909 |
| Nongovernmental grants and contracts | 2,721,486 | 2,720,510 |
| Sales and services of educational activities | 4,804,365 | 5,366,676 |
| Interest earned on loans to students | 168,043 | 150,206 |
| Other operating revenue | 186,834 | 233,963 |
| Auxiliary enterprises | 59,582,226 | 57,830,760 |
| Less scholarship allowances | <u>(6,062,503)</u> | <u>(5,125,147)</u> |
| Net auxiliary enterprises | <u>53,519,723</u> | <u>52,705,613</u> |
| Total operating revenues | 196,939,760 | 182,100,392 |
| Operating Expenses | | |
| Salaries and wages | 121,029,531 | 114,814,608 |
| Benefits | 37,786,101 | 36,306,406 |
| Scholarships and fellowships | 16,796,678 | 15,278,601 |
| Utilities | 5,385,944 | 5,322,270 |
| Supplies and materials | 48,573,820 | 39,382,286 |
| Purchased services | 4,694,225 | 4,371,367 |
| Depreciation | <u>21,698,636</u> | <u>20,042,554</u> |
| Total operating expenses | <u>255,964,935</u> | <u>235,518,092</u> |
| Operating loss | (59,025,175) | (53,417,700) |
| Nonoperating Revenues (Expenses) | | |
| State appropriations | 40,052,232 | 43,083,007 |
| Federal Pell grant revenue | 14,514,274 | 13,899,353 |
| Investment income | 628,431 | 568,859 |
| Interest on indebtedness | (3,652,599) | (4,041,655) |
| Gain (loss) on endowments | 1,289,455 | (199,342) |
| Nonoperating rental property expense/income | <u>27,821</u> | <u>(36,817)</u> |
| Total nonoperating revenues (expenses) | <u>52,859,614</u> | <u>53,273,405</u> |
| Income (Loss) before other revenues | (6,165,561) | (144,295) |
| Other Revenues | | |
| Capital appropriations | 8,417,155 | 6,883,439 |
| Other capital revenue | 3,204,867 | 7,784,973 |
| Pledged gift revenue from the Foundation | _____ | <u>959,216</u> |
| Total other revenues | 11,622,022 | 15,627,628 |
| Increase in net position | 5,456,461 | 15,483,333 |
| Net position, beginning of year | <u>452,396,757</u> | <u>436,913,424</u> |
| Net position end of year | <u>\$457,853,218</u> | <u>\$452,396,757</u> |

Foundation Statement of Activities & Changes in Net Assets

Financial Report 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2013 Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Support and Revenue: | | | | |
| Contributions | \$2,098,006 | \$1,400,898 | \$1,729,532 | \$5,228,436 |
| In-kind services and facilities provided by | | | | |
| Western Washington University | 2,730,236 | | | 2,730,236 |
| Interest and dividends | 442,123 | 649,141 | | 1,091,264 |
| Net realized and unrealized gains on investments | 1,390,828 | 3,468,779 | | 4,859,607 |
| Return on annuity and life income investments | | 286,620 | | 286,620 |
| Change in valuation of annuity and life income obligations | | (250,703) | | (250,703) |
| Administrative fees | 789,737 | | | 789,737 |
| Fundraising events and other | 69,379 | 493,932 | | 563,311 |
| Total support and revenue before net assets released from restrictions | 7,520,309 | 6,048,667 | 1,729,532 | 15,298,508 |
| Net assets released from restrictions | 4,858,935 | (4,858,935) | | |
| Recovery of underwater endowments | 31,292 | (31,292) | | |
| Total Support and Revenue | 12,410,536 | 1,158,440 | 1,729,532 | 15,298,508 |
| Expenses: | | | | |
| Program services and grants | 5,283,610 | | | 5,283,610 |
| Management and general in-kind | 1,566,042 | | | 1,566,042 |
| Management and general - other | 287,236 | | | 287,236 |
| Fundraising in-kind | 1,164,194 | | | 1,164,194 |
| Fundraising - other | 782,843 | | | 782,843 |
| Total Expenses | 9,083,925 | | | 9,083,925 |
| Change in Net Assets | 3,326,611 | 1,158,440 | 1,729,532 | 6,214,583 |
| Net Assets, beginning of year (restated) | 10,904,221 | 16,961,391 | 23,331,653 | 51,197,265 |
| Net Assets, end of year | \$14,230,832 | \$18,119,831 | \$25,061,185 | \$57,411,848 |

Foundation Statement of Activities & Changes in Net Assets

Financial Report 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2012 Total (Restated) |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Support and Revenue: | | | | |
| Contributions | \$569,784 | \$5,006,747 | \$769,277 | \$6,345,808 |
| In-kind services and facilities provided by | | | | |
| Western Washington University | 2,197,121 | | | 2,197,121 |
| Interest and dividends | 425,529 | 608,696 | | 1,034,225 |
| Net realized and unrealized gains on investments | (124,837) | (522,875) | | (647,712) |
| Return on annuity and life income investments | | 120,999 | | 120,999 |
| Change in valuation of annuity and life income obligations | | (136,408) | | (136,408) |
| Administrative fees | 566,875 | | | 566,875 |
| Fundraising events and other | <u>37,821</u> | <u>437,887</u> | | <u>475,708</u> |
| Total support and revenue before net assets released from restrictions | 3,672,293 | 5,515,046 | 769,277 | 9,956,616 |
| Net assets released from restrictions | 4,865,323 | (5,243,891) | 378,568 | |
| Change in restrictions | 96,246 | (97,455) | 1,209 | |
| Shortfall for underwater endowments | <u>(133,661)</u> | <u>133,661</u> | | |
| Total Support and Revenue | 8,500,201 | 307,361 | 1,149,054 | 9,956,616 |
| Expenses: | | | | |
| Program services and grants | 6,909,622 | | | 6,909,622 |
| Management and general in-kind | 1,217,709 | | | 1,217,709 |
| Management and general - other | 265,799 | | | 265,799 |
| Fundraising - WWU in-kind | 979,412 | | | 979,412 |
| Fundraising - other | <u>395,560</u> | | | <u>395,560</u> |
| Total Expenses | <u>9,768,102</u> | | | <u>9,768,102</u> |
| Change in Net Assets | (1,267,901) | 307,361 | 1,149,054 | 188,514 |
| Net Assets, beginning of year (restated) | <u>12,172,122</u> | <u>16,654,030</u> | <u>22,182,599</u> | <u>51,008,751</u> |
| Net Assets, end of year (restated) | <u>\$10,904,221</u> | <u>\$16,961,391</u> | <u>\$23,331,653</u> | <u>\$51,197,265</u> |

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$110,396,695 | \$100,196,266 |
| Grants and contracts | 26,458,925 | 24,390,823 |
| Payments to vendors | (71,522,472) | (64,990,544) |
| Payments to employees for salaries and benefits | (157,737,351) | (150,370,134) |
| Loans issued to students | (1,422,760) | (1,027,167) |
| Collection of loans to students | 1,400,371 | 1,257,169 |
| Sales of auxiliary enterprises | 53,464,583 | 51,619,995 |
| Sales and services of educational activities | 4,787,788 | 5,289,901 |
| Interest received on loans to students | <u>354,877</u> | <u>384,169</u> |
| Net cash used by operating activities | (33,819,344) | (33,249,522) |
| Cash Flows from Noncapital Financing Activities | | |
| State appropriations | 40,081,177 | 43,447,168 |
| Direct Lending proceeds | 68,933,156 | 69,447,710 |
| Direct Lending disbursements | (68,844,444) | (69,753,232) |
| Federal Pell grant receipts | <u>14,514,274</u> | <u>13,899,353</u> |
| Net cash provided by noncapital financing activities | 54,684,163 | 57,040,999 |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (37,558,009) | (57,706,458) |
| Net proceeds from sales of investments | 23,156,049 | 57,566,801 |
| Interest received on investments | <u>547,281</u> | <u>557,934</u> |
| Net cash (used)/provided by investing activities | (13,854,679) | 418,277 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from capital debt | 9,374,908 | 27,490,000 |
| Interest earned on bond proceeds | 3,103 | 2,161 |
| Capital appropriations | 8,860,599 | 6,512,139 |
| Other capital (expense)/revenue | 8,076,563 | (1,376,639) |
| Contributions and gifts in-kind | 733,670 | 5,406,954 |
| Proceeds from disposal of capital assets | 8,768 | 28,511 |
| Purchases of capital assets | (24,283,368) | (26,149,394) |
| Principal paid on capital debt | (12,800,256) | (27,244,419) |
| Interest paid on capital debt | (2,848,471) | (3,446,801) |
| Other activities | <u>33,280</u> | <u>(36,817)</u> |
| Net cash used by capital and related financing activities | (12,841,204) | (18,814,305) |
| Net increase/(decrease) in cash and cash equivalents | (5,831,064) | 5,395,449 |
| Cash and cash equivalents, beginning of year | 42,552,516 | 37,157,067 |
| Cash and cash equivalents, end of year | <u>\$36,721,452</u> | <u>\$42,552,516</u> |

Reconciliation of Operating Loss to Net Cash used by Operating Activities

Financial Report 2013

| | 2013 | 2012 |
|--|-----------------------|-----------------------|
| Operating loss | (\$59,025,175) | (\$53,417,700) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation expense | 21,698,636 | 20,042,554 |
| Gain on disposal of fixed assets | 2,621,739 | 36,609 |
| Changes in assets and liabilities: | | |
| Funds with the State Treasurer | | (114,000) |
| Accounts receivable | (2,511,815) | (643,701) |
| Student loans receivable | 66,323 | (68,203) |
| Inventories | (83,754) | 88,085 |
| Prepaid expenses | (97,246) | 189,962 |
| Accounts payable and accrued expenses | 279,536 | (1,170,843) |
| Deferred revenue | 835,113 | 308,264 |
| Student and other deposits | 225,304 | 138,308 |
| Deposits held in custody | (105,438) | 239,486 |
| Compensated absences | (20,598) | (135,826) |
| Net pension obligation expense | <u>2,298,031</u> | <u>1,257,483</u> |
| Net cash used by operating activities | <u>(\$33,819,344)</u> | <u>(\$33,249,522)</u> |
| Supplemental disclosure of cash flow information | | |
| Acquisition of capital assets through accounts payable | <u>\$2,258,069</u> | <u>\$2,966,198</u> |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Western Washington University (WWU) is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. These financial statements summarize all the fund types of WWU including agency funds.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Western Washington University Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt entity. The Board of Directors is self-perpetuating and consists of 31 members. WWU has an agreement with the Foundation to design and implement such programs and procedures so as to persuade continuous and special philanthropic support for the benefit of WWU. In exchange, WWU provides the Foundation with office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, and payroll and purchasing functions. Although WWU does not control the timing or amount of receipts from the Foundation, the majority of the resources or income the Foundation holds and invests is restricted for the activities of WWU by the donors. The Foundation's activity is reported in separate financial statement because of the difference in its reporting model as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, Revenue Recognition, and ASC 958-205, Presentation of Financial Statement.

As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in WWU's financial statement for these differences; however, significant note disclosures (see Note 2) to the Foundation's financial statement have been incorporated into WWU's notes to the financial statement.

The Foundation's financial statement can be obtained by contacting the Foundation at (360) 650-3408.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and following the guidance given by GASB. WWU has special purpose reports reflecting the net position, results of operations and cash flows for certain auxiliary units: Housing and Dining System, Wade King Recreational Center, Parking Services and Associated Students Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present the financial position, results of operations, or changes in net position of WWU. The auxiliary unit financial statement can be obtained by contacting Western Washington University at (360) 650-3675.

Basis of Accounting

For financial reporting purposes, WWU is considered a special-purpose government engaged only in business-type activities. Accordingly, WWU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated.

New Accounting Pronouncements

On July 1, 2011, WWU adopted GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This pronouncement provides guidance on the reporting of assets used and provided by a service contractor. WWU financial statement did not change based on this pronouncement.

On July 1, 2011, WWU adopted GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The primary objective of this pronouncement is to directly incorporate the applicable provisions in FASB and AICPA pronouncements issued on or before November 30, 1989, into the state and local government accounting and financial reporting standards.

On July 1, 2011, WWU adopted GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This pronouncement provides guidance on including deferred outflows of resources and deferred inflows of resources in addition to assets and liabilities,

as well as the reporting of Net Position as opposed to Net Assets. WWU's financial statements reflect these changes.

On July 1, 2011, WWU adopted GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53". This pronouncement provides guidance on specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. WWU's statement did not change based on this pronouncement.

On July 1, 2012, WWU adopted GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. During a review of assets and liabilities it was determined that, due to materiality, remaining bond costs would be expensed during fiscal 2013. The deferred amount from bond refunding has been reclassified as deferred outflows.

On July 1, 2012, WWU adopted GASB Statement No. 61 "The Financial Reporting Entity: Omnibus—an amendment of GASB Statement No. 14 and No. 34". This statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relations also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Management determined that the discretely presented component unit would be misleading to exclude.

OTHER ACCOUNTING POLICIES

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund WWU operations are classified as current assets along with operating funds invested in the LGIP. Cash, cash equivalents, and investments that represent unspent bond proceeds or are held with the intent to fund capital projects are classified as noncurrent assets. Endowment

investments are also classified as noncurrent assets. WWU records all cash, cash equivalent, and investments at amortized cost, which approximates fair value.

WWU combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to WWU's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market value.

Capital Assets

Land, buildings and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of the gift. For equipment, WWU's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest expense incurred during capital construction is capitalized as part of the building cost. During fiscal 2013 and fiscal 2012, \$38,374 and \$0 in construction related interest was capitalized, respectively. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

Bond Premiums/Discounts

Bond premiums/discounts are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Position net of the face amount of bonds payable.

Deferred Outflows

For the year ended June 30, 2013, WWU 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. Deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. The implementation of this standard reclassified the deferred losses on defeasance of bond debt as a deferred outflow. These amounts do not meet the definition of an asset or liability since the amounts do not represent an increase in service capacity and the resources cannot be exchanged for another asset or used to directly provide present service capacity. The deferred outflow amounts are \$1,797,593 and \$1,643,980 for fiscal years 2013 and 2012, respectively.

Unearned revenues

Unearned revenues occur when revenues have been collected for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but relate to services to be provided in the following fiscal year.

Net Position

WWU's net position is classified as follows:

Net investment in capital assets

This represents WWU's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net position described below.

Restricted net position, expendable

Restricted expendable include resources in which WWU is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net position, nonexpendable

Nonexpendable restricted consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of pro-

ducing present and future income, which may either be expended or added to principal.

Unrestricted net position

Unrestricted represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of WWU, and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Classification of Revenues and Expenses

WWU has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues

Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

Operating expenses

Operating expenses are those costs incurred in daily operations, such as salaries and wages, benefits, scholarships and fellowships expenses, depreciation, utilities, and supplies.

Nonoperating revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income.

Nonoperating expenses

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

Other Revenues

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship

discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by WWU, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in WWU's financial Statement. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, WWU has recorded a scholarship discount and allowance.

Tax Exemption

WWU is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from Federal income taxes on related income.

Reclassifications

Certain accounts in the prior year financial statement have been reclassified for comparative purposes to conform to the presentation in the current year financial statement.

2. COMPONENT UNIT

The Western Washington University Foundation (the Foundation) is a discretely presented component unit of WWU. The language in the Foundation's bylaws satisfies the "direct benefit" criterion, and the "entitlement/ability to access" criterion is met due to the Foundation's history of supporting WWU. The "significance" criterion is met because the combined resources used by WWU activities and the restricted resources held by the Foundation are deemed to be significant to WWU, regardless of the extent to which those resources may be used for "in-kind".

The Foundation presents information about its financial position and activities according to the following three classes of net position, depending on the existence and nature of donor restrictions:

Unrestricted net assets

Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.

Temporarily restricted net assets

Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets

Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by the donors, earnings from such funds may be either unrestricted or temporarily restricted.

3. CASH AND CASH EQUIVALENTS

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

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

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

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool.

At June 30, 2013 and 2012, the carrying amount of cash and cash equivalents is \$36,721,452 and \$42,552,516, respectively. These balances include restricted cash and cash equivalents of \$297,456 in unspent Recreation Center bond proceeds and \$825,604 renewal and replacements at June 30, 2013 and \$566,667 in unspent Housing and Dining and Recreation Center unspent

bond proceeds at June 30, 2012 along with \$895,165 in Recreation Center renewal and replacement funds. The carrying amount of cash and cash equivalents approximates the market value.

4. INVESTMENTS

Investments include internally pooled cash operating funds, renewal and replacement funds, unspent bond proceeds, and University endowment funds.

WWU held \$6,036,447 and \$6,064,351 in certificates of deposits in pooled investments at June 30, 2013 and 2012, respectively. WWU held \$51,188,499 and \$36,583,352 in U.S. Agency securities in the investment pool at June 30, 2013 and 2012, respectively. These investments include \$414,672 in unspent bond proceeds at June 30, 2013.

The Housing and Dining System Renewal and Replacement fund held \$3,048,012 and \$3,019,505 as of June 30, 2013 and 2012, respectively. This was separately invested in CDs and U.S. Agencies.

University endowment funds are held and managed by the Western Washington University Foundation (the Foundation). The endowment funds are invested in accordance with the Foundation policy under the direction of the Foundation Finance and Audit Committee (the Committee). The committee is responsible for reviewing and defining investment policy, monitoring investment performance, and recommending managers to oversee the investment of the portfolio. The Committee reviews and updates its investment policy every three years.

As of June 30, 2013, WWU's Endowment funds are comprised of \$5,942,281 in donor restricted and unrestricted funds and \$4,776,823 in Quasi-endowments. As of June 30, 2012, the balances were \$5,464,938 and \$4,168,067, respectively.

Credit (Quality) Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Statutory and policy constraints with regard to the types of instruments available for investment limit WWU's exposure to this risk. Instruments available for investment include obligations of the US Treasury and agency securities and certificates of deposit. The certificates of deposit held in the internal investment pool are insured by the Federal Deposit Insurance Company (FDIC) or by a collateral

pool administered by the Washington Public Deposit Protection Commission (PDPC). US Agency securities are rated at least AA by the three major rating agencies.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, WWU will not be able to recover the value of the investment. As of June 30, 2013 WWU had \$51,188,499 in US Agencies held in custody by Bank of New York Mellon in WWU's name.

Interest Rate Risk

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 three years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

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

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. WWU's operating investment policy limits per issuer holdings to 5%, with the exception of U.S. Treasuries (100%), U.S. Agencies (35% per agency), and Certificates of Deposit (10%). The Endowment Investment Policy limits the endowment investments to no more than 5% of the portfolio for a single issuer, with the exception of U.S. government and agency securities.

At June 30, 2013, WWU held the following in cash, cash equivalents and investments:

| Description | Fair Value | Weighted Average Maturity (in Years) |
|---------------------------------------|-----------------------------|--------------------------------------|
| WWU Investment Pool: | | |
| Cash & Cash Equivalents | \$36,721,452 | 0.001 |
| Time Certificates of Deposits (CDs) | 6,036,447 | 0.057 |
| U.S. Agencies | 49,662,050 | 1.311 |
| WWU Endowment Funds: | | |
| Cash & cash equivalents | 45,265 | |
| Fixed income investments: | | |
| U.S. Treasuries | 430,697 | 14.600 |
| U.S. Agencies | 513,602 | 4.700 |
| Other fixed income | 1,264,116 | n/a |
| Equity investments | 6,468,949 | n/a |
| Real estate | 585,252 | n/a |
| Alternative investments | 1,411,223 | n/a |
| Other Investments: | | |
| Renewal and Replacement Time CDs | 1,521,563 | 3.241 |
| Renewal and Replacement U.S. Agencies | 1,526,449 | 0.411 |
| Miscellaneous | <u>1,010</u> | n/a |
| TOTAL CASH AND INVESTMENTS | <u><u>\$106,188,075</u></u> | |

At June 30, 2012, WWU held the following in cash, cash equivalents and investments:

| Description | Fair Value | Weighted Average Maturity (in Years) |
|---------------------------------------|----------------------------|--------------------------------------|
| WWU Investment Pool: | | |
| Cash & Cash Equivalents | \$42,552,516 | 0.001 |
| Time Certificates of Deposits (CDs) | 6,064,351 | 0.028 |
| U.S. Agencies | 35,057,345 | 0.680 |
| WWU Endowment Funds: | | |
| Cash & cash equivalents | 137,910 | 0.003 |
| Fixed income investments: | | |
| U.S. Treasuries | 115,480 | 12.004 |
| U.S. Agencies | 555,206 | 3.893 |
| Other fixed income | 1,542,910 | n/a |
| Equity investments | 5,940,369 | n/a |
| Real estate | 568,593 | n/a |
| Alternative investments | 772,537 | n/a |
| Other Investments: | | |
| Renewal and Replacement Time CDs | 1,493,498 | 0.013 |
| Renewal and Replacement U.S. Agencies | 1,526,007 | 0.025 |
| Miscellaneous | <u>1,000</u> | n/a |
| TOTAL CASH AND INVESTMENTS | <u><u>\$96,327,722</u></u> | |

5. FUNDS WITH STATE TREASURER

This account represents WWU's share of net earnings of the State of Washington Normal School Permanent Fund and the building fee portion of tuition, reduced by expenditures for capital projects and debt service incurred over the years. The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary source

of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres granted by the United States government for state normal schools and are managed by the State Department of Natural Resources. In addition to the Permanent Fund, the Office of the State Treasurer held \$116,828 in remaining Certificate of Participation (COP) funds during fiscal 2013, which will be used for an energy saving capital project.

WWU's combined earnings and distributions on the fund for the years ending June 30, 2013 and 2012 are \$2,466,100 and \$2,378,019, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2013 and 2012, the major components of accounts receivable are as follows:

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Student tuition and fees | \$2,780,861 | \$1,826,263 |
| Federal, State and private grants and contracts | 2,598,992 | 2,418,437 |
| Auxiliary enterprises and other operating activities | <u>2,667,501</u> | <u>1,237,379</u> |
| Total accounts receivable | 8,047,354 | 5,482,079 |
| Less allowance for doubtful accounts | <u>(644,470)</u> | <u>(591,010)</u> |
| Accounts receivable, net | <u>\$7,402,884</u> | <u>\$4,891,069</u> |

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2013 and 2012, student loans receivable are as follows:

| | 2013 | 2012 |
|--------------------------------------|--------------------|--------------------|
| Federal Perkins student loans | \$8,577,935 | \$8,648,042 |
| Other long-term loans | 34,662 | 36,108 |
| Institutional loans | <u>51,020</u> | <u>47,738</u> |
| Total student loans | 8,663,617 | 8,731,888 |
| Less allowance for doubtful accounts | <u>(951,904)</u> | <u>(953,852)</u> |
| Student loans receivable, net | <u>\$7,711,713</u> | <u>\$7,778,036</u> |

8. INVENTORIES

At June 30, 2013 and 2012, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

| | Valuation Method | 2013 | 2012 |
|------------------------|------------------|--------------------|--------------------|
| Location | | | |
| Bookstore | Retail | \$941,848 | \$767,989 |
| Central Stores | Average Cost | 21,393 | 86,512 |
| Facilities Maintenance | FIFO | 132,720 | 157,705 |
| Lock Shop | FIFO | 144,156 | 137,446 |
| Other inventory | FIFO | <u>130,343</u> | <u>137,053</u> |
| Total inventory | | <u>\$1,370,460</u> | <u>\$1,286,705</u> |

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2013 and 2012 was \$21,698,636 and \$20,042,554, respectively.

Following are the changes in land and capital assets for the year ended June 30, 2013:

| | 6/30/2012 | Additions/ Transfers | Retirements | 6/30/2013 |
|--------------------------------------|----------------------|-------------------------|--------------------|----------------------|
| Non-depreciable Capital Assets | | | | |
| Land | \$12,772,593 | | | \$12,772,593 |
| Construction in progress | <u>11,772,337</u> | <u>11,955,540</u> | | <u>23,727,877</u> |
| Total non-depreciable capital assets | <u>\$24,544,930</u> | <u>\$11,955,540</u> | | <u>\$36,500,470</u> |
| Depreciable Capital Assets | | | | |
| Infrastructure | \$53,656,654 | | \$710,720 | \$52,945,934 |
| Buildings | 398,572,414 | 95,028 | 681,112 | 397,986,330 |
| Furniture, fixtures and equipment | 33,767,605 | 5,109,042 | 1,054,859 | 37,821,788 |
| Library materials, art collection | 54,621,279 | 139,724 | 1,629,135 | 53,131,868 |
| Improvements | <u>126,600,116</u> | <u>6,278,625</u> | | <u>132,878,741</u> |
| Total depreciable capital assets | <u>667,218,068</u> | <u>11,622,419</u> | <u>4,075,826</u> | <u>674,764,661</u> |
| Less Accumulated Depreciation | | | | |
| Infrastructure | 24,839,294 | 1,357,902 | 151,935 | 26,045,261 |
| Buildings | 135,702,132 | 8,274,345 | 184,221 | 143,792,256 |
| Furniture, fixtures and equipment | 23,867,682 | 3,515,263 | 1,054,859 | 26,328,086 |
| Library materials, art collection | 40,160,186 | 1,708,117 | 54,304 | 41,813,999 |
| Improvements | <u>24,940,815</u> | <u>6,848,468</u> | | <u>31,789,283</u> |
| Total accumulated depreciation | <u>249,510,109</u> | <u>21,704,095</u> | <u>1,445,319</u> | <u>269,768,885</u> |
| Capital Assets, Net of depreciation | <u>\$417,707,959</u> | <u>\$(10,081,676)</u> | <u>\$2,630,507</u> | <u>\$404,995,776</u> |

Following are the changes in land and capital assets for the year ended June 30, 2012:

| | 6/30/2011 | Additions/ Transfers | Retirements | 6/30/2012 |
|---------------------------------------|----------------------|-------------------------|-----------------|----------------------|
| Non-depreciable Capital Assets | | | | |
| Land | \$12,772,593 | | | \$12,772,593 |
| Construction in progress | <u>63,030,794</u> | <u>(51,258,457)</u> | | <u>11,772,337</u> |
| Total non-depreciable capital assets | <u>\$75,803,387</u> | <u>(51,258,457)</u> | | <u>\$24,544,930</u> |
| Depreciable Capital Assets | | | | |
| Infrastructure | \$53,656,654 | | | \$53,656,654 |
| Buildings | 383,069,453 | 15,502,961 | | 398,572,414 |
| Furniture, fixtures and equipment | 30,215,805 | 4,092,600 | 540,800 | 33,767,605 |
| Library materials, art collection | 52,869,763 | 1,751,516 | | 54,621,279 |
| Improvements | <u>69,965,790</u> | <u>56,634,326</u> | | <u>126,600,116</u> |
| Total depreciable capital assets | <u>589,777,465</u> | <u>77,981,403</u> | <u>540,800</u> | <u>667,218,068</u> |
| Less Accumulated Depreciation | | | | |
| Infrastructure | 23,457,104 | 1,382,190 | | 24,839,294 |
| Buildings | 127,419,517 | 8,282,615 | | 135,702,132 |
| Furniture, fixtures and equipment | 21,543,637 | 2,799,725 | 475,680 | 23,867,682 |
| Library materials, art collection | 38,303,440 | 1,856,746 | | 40,160,186 |
| Improvements | <u>19,219,537</u> | <u>5,721,278</u> | | <u>24,940,815</u> |
| Total accumulated depreciation | <u>229,943,235</u> | <u>20,042,554</u> | <u>475,680</u> | <u>249,510,109</u> |
| Capital Assets, Net of depreciation | <u>\$359,834,230</u> | <u>\$57,938,849</u> | <u>\$65,120</u> | <u>\$417,707,959</u> |

10. ART COLLECTIONS

WWU has several collections of art that it does not capitalize. The Outdoor Sculpture Collection is a public art collection displayed throughout the entire campus. There are also collections of 19th and 20th century prints and drawings, the Whittington Collection of Asian Ceramics, and the Chair Collection. These collections adhere to WWU's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. WWU's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2013 and 2012 are \$7,768,373 and \$7,788,971, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It

also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, WWU began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post-retirement medical expense reimbursement account available to professional staff employees of WWU. The VEBA-MEP enables WWU to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf.

Funds deposited into a VEBA-MEP account, as well as the earnings on the accounts, are not subject to federal income or social security taxes. During fiscal 2013 and fiscal 2012, \$86,263 and \$92,985, respectively, were contributed to VEBA accounts by WWU on behalf of employees.

12. NOTES PAYABLE

WWU finances certain land and equipment purchases through certificates of participation issued by the Washington State Treasurer. WWU's debt service requirements for these agreements for the next five years and thereafter are as follows:

| Fiscal Year | Principal | Interest |
|-------------|-------------|-------------|
| 2014 | \$551,463 | \$106,831 |
| 2015 | 517,910 | 163,507 |
| 2016 | 503,798 | 148,053 |
| 2017 | 1,059,691 | 360,223 |
| 2018 | 1,080,000 | 190,738 |
| 2019-2023 | 1,510,000 | 168,825 |
| 2024-2028 | 290,000 | 8,700 |
| Total | \$5,512,862 | \$1,146,877 |

13. BONDS PAYABLE

Bonds payable consist of revenue bonds issued by WWU for Housing and Dining System facilities and the Wade King Student Recreation Center. Bonds outstanding are shown on the following page.

Housing and Dining Revenue Bonds

As specified in Master Resolution 97-09, the Housing and Dining System (the System) Revenue Fund is used to pay operating expenses, principal and interest, fund debt service reserve accounts required in subsequent series resolutions, pay the renewal and replacement fund and, if desired, retire debt in the open market. Net revenues are pledged to equal at least 125% of debt service. The System has funded a reserve account for debt service, and maintains a renewal and replacement fund equal to at least 5% of outstanding bonds.

The Housing and Dining System has the following outstanding bond issues:

Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and an aggregate face value of \$9,205,000 at June 30, 2013, which is reported net of the original issue premium of \$533,980.

Series 2009 A and B Revenue Bonds with interest rates ranging from 3.0% to 7.4% and an aggregate face value of \$13,440,000 at June 30, 2013, which is reported net of the original issue premium of \$4,224.

Series 2006 Revenue Bonds with an interest rate of 4% and an aggregate face value of \$7,110,000 at June 30,

2013, which is reported net of the original issue premium of \$27,851.

Series 2005 Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.0% and an aggregate face value of \$10,305,000 at June 30, 2013, which is reported net of the unamortized original discount of \$95,502.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of \$10,055,000 at June 30, 2013, which is reported net of the unamortized original issue premium of \$114,776.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued Revenue and Refunding Bonds Series, 2012, on April 30 2012. The bonds bear interest at rates of 3% to 4% and have an aggregate face value of \$24,385,000 at June 30, 2013, which is reported net of the unamortized original issue premium of \$397,394.

Current refunding

On April 30, 2012, the Recreation Center issued at par \$24,385,000 Revenue and Refunding Bonds Series 2012. The purpose of the bonds is the refunding of then-outstanding Revenue Bonds Series 2002 with a principal balance of \$23,595,000. The refunded series 2002 bonds carried an interest rate of 4% to 5%. Unamortized series 2002 bond issuance costs were \$298,030 at the date of the refunding.

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 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.

Advance Refunding

On July 19 2012, the Housing and Dining System (the system) issued at par \$9,205,000 Revenue and Refunding Bonds Series 2012 with an average interest rate of 4.0% to advance refund \$10,175,000 of outstanding 2003 Series. The net proceeds of \$9.9 million (after payment of \$161,556 in underwriting fees and issuance costs) were used to purchase State and Local Government Series U.S. Treasury Securities

Those Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt services payments on the 2003 Series bonds. As a result, the 2003 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt. The System advance refunded the 2003 Series bonds to reduce its total debt service payments over the next 11 years by \$871 thousand and to obtain an economic gain of \$760 thousand.

The debt service requirements for the revenue/refunding bonds for the next five years and thereafter are as follows:

| Fiscal Year | Housing and Dining Revenue and Refunding Bonds | | Student Recreation Center Revenue and Refunding Bonds | |
|------------------------------------|---|---------------------|--|---------------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$2,910,000 | \$2,393,684 | | \$925,350 |
| 2015 | 3,035,000 | 2,384,039 | 700,000 | 925,350 |
| 2016 | 3,145,000 | 2,259,952 | 725,000 | 904,350 |
| 2017 | 3,285,000 | 2,121,325 | 750,000 | 882,600 |
| 2018 | 3,430,000 | 1,976,333 | 770,000 | 860,100 |
| 2019-2023 | 18,910,000 | 7,411,334 | 4,230,000 | 3,914,425 |
| 2024-2028 | 9,445,000 | 3,555,693 | 5,100,000 | 3,050,000 |
| 2029-2033 | 4,840,000 | 1,490,700 | 6,205,000 | 1,944,800 |
| 2034-2037 | <u>1,115,000</u> | <u>82,510</u> | <u>5,905,000</u> | <u>602,200</u> |
| Total | 50,115,000 | 23,675,570 | 24,385,000 | 14,009,175 |
| Unamortized premium/ (discount) | 585,329 | | 397,393 | |
| Total | <u>\$50,700,329</u> | <u>\$23,675,570</u> | <u>\$24,782,393</u> | <u>\$14,009,175</u> |

14. PLEDGED REVENUES

WWU has pledged certain revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

| Source of Revenue Pledged | Total Future Revenues Pledged * | Description of Debt | Purpose of Debt | Term of Commitment | Proportion of Debt Service to Pledged Revenues (current yr) |
|--|---------------------------------|--|---|--------------------|---|
| Housing and Dining revenues, net of operating expenses | \$73,790,570 | Housing and Dining bonds issued in 1998, 2005, 2006, 2009,2012 | Construction and renovation of student housing projects | 2034 | 67.8% |
| Student Recreation Center gross revenues | \$38,394,175 | Student Recreation Center bonds issued in 2012 | Construction of the Student Recreation Center | 2033 | 20.5% |
| * Total future principal and interest payments on debt | | | | | |

15. LONG-TERM LIABILITIES

Following are the changes in long-term liabilities for the years ended June 30, 2013 and 2012:

| | 6/30/12 | Additions/ Amortization | Retirements | 6/30/13 | Current Portion |
|-----------------------------|---------------------|----------------------------|---------------------|---------------------|--------------------|
| Bonds and notes payable | | | | | |
| Revenue and refunding bonds | \$78,003,909 | \$9,743,814 | \$12,265,000 | \$75,482,723 | \$2,910,000 |
| Notes payable | 5,778,210 | 269,908 | 535,256 | 5,512,862 | 551,463 |
| Net pension obligation | 5,462,938 | 2,449,000 | 150,968 | 7,760,970 | 376,000 |
| Total long term liabilities | <u>\$89,245,057</u> | <u>\$12,462,722</u> | <u>\$12,951,224</u> | <u>\$88,756,555</u> | <u>\$3,837,463</u> |

| | 6/30/11 | Additions/ Amortization | Retirements | 6/30/12 | Current Portion |
|-----------------------------|---------------------|----------------------------|---------------------|---------------------|--------------------|
| Bonds and notes payable | | | | | |
| Revenue and refunding bonds | \$79,873,169 | \$25,045,740 | \$26,915,000 | \$78,003,909 | \$2,785,000 |
| Notes payable | 3,102,629 | 3,005,000 | 329,419 | 5,778,210 | 469,025 |
| Net pension obligation | 4,205,455 | 1,400,000 | 142,517 | 5,462,938 | 214,000 |
| Total long term liabilities | <u>\$87,181,253</u> | <u>\$29,450,740</u> | <u>\$27,386,936</u> | <u>\$89,245,057</u> | <u>\$3,468,025</u> |

16. LEASES

WWU leases facilities for off-campus office and educational spaces under a variety of agreements. WWU also finances certain equipment through non-cancelable operating leases. At June 30, 2013, future payments under these operating leases are as follows:

| Fiscal Year | Lease Payment |
|------------------------------|--------------------|
| 2014 | \$551,146 |
| 2015 | 409,573 |
| 2016 | 193,770 |
| 2017 | 102,368 |
| 2018 | 74,253 |
| 2019-2029 | 247,762 |
| Total minimum lease payments | <u>\$1,578,872</u> |

17. DEFERRED COMPENSATION

WWU, through the State of Washington, offers its employees a Deferred Compensation Plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The State of Washington administers the plan on behalf of WWU's employees; WWU does not have legal access to the funds.

18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications which include salaries, employee benefits, goods and services, and other similar categories.

Operating expenses by functional classification for the years ended June 30, 2013 and 2012 are as follows:

| Operating Expenses | 2013 | 2012 |
|------------------------------------|----------------------|----------------------|
| Instruction | \$93,857,845 | \$87,654,779 |
| Research | 4,969,498 | 4,685,940 |
| Academic Support | 14,911,524 | 11,224,188 |
| Student Services | 16,470,143 | 16,574,245 |
| Institutional Support | 19,168,694 | 17,141,831 |
| Operation and Maintenance of Plant | 42,411,775 | 39,724,503 |
| Scholarships and other student aid | 16,796,678 | 15,278,601 |
| Auxiliary enterprise expenditures | <u>46,329,778</u> | <u>43,234,005</u> |
| Total operating expenses | <u>\$254,915,935</u> | <u>\$235,518,092</u> |

19. PENSION PLANS

WWU offers four contributory pension plans: the Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) and the Western Washington University Retirement Plan (WWURP).

The payroll for WWU employees covered by PERS for the year ended June 30, 2013 and 2012 is \$32,233,297 and \$32,271,085; the payroll for employees covered by TRS is \$876,331 and \$885,844; the payroll covered by WWURP is \$71,497,672 and \$70,767,054; the payroll for LEOFF is \$853,190 and \$781,159, respectively.

Western Washington University Retirement Plan (WWURP)*Plan Description*

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when re-

quired. 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. During the fiscal year ending June 30, 2011, the University amended the supplemental retirement plan, limiting participation to those individuals who were active participants on February 28, 2011. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

The WWURP contributions for the years ending June 30, 2013, 2012 and 2011 are as follows:

| | 2013 | 2012 | 2011 |
|------------|-------------|-------------|-------------|
| Employee | \$5,906,235 | \$5,436,281 | \$5,612,217 |
| University | 5,938,412 | 5,427,185 | 5,624,889 |

Supplemental Component

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.

WWU received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2013. The previous evaluation was performed in 2011. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2013 and 2011 was

\$17,924,000 and \$10,035,000 respectively, and is amortized over an 11 year period.

The Annual Required Contribution (ARC) of \$2,449,000 consists of amortization of the UAL (\$1,730,000), normal cost (or current cost) (\$669,000) and interest. The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 4.25% to 7.25% and projected salary increases of 3.0%. Approximately \$71,497,672 and \$70,767,054 of WWU's payroll were covered under this plan during fiscal 2013 and fiscal 2012, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2013:

| | |
|-----------------------------------|--------------------|
| Balance as of June 30, 2011 | \$4,205,455 |
| Annual Required Contribution FY12 | 1,400,000 |
| Payments to Beneficiaries FY12 | (142,517) |
| Balance as of June 30, 2012 | 5,462,938 |
| Annual Required Contribution FY13 | 2,449,000 |
| Payments to Beneficiaries FY13 | (150,968) |
| Balance as of June 30, 2013 | <u>\$7,760,970</u> |

PERS, TRS and LEOFF

Plan Description

WWU contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance, to eligible non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined

contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of eligible service.

TRS I provides retirement and disability benefits, a lump sum death benefit, and minimum benefits increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS II and III provide retirement benefits, and cost-of-living allowance to certain eligible faculty hired on or after October 1, 1977. In addition TRS III has a defined contribution component which is fully funded by employee contributions. TRS defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF II provides retirement benefits and a cost of living allowance for eligible law enforcement officers. LEOFF system benefits are vested after an employee completes five years of eligible service.

The Washington State Legislature establishes or amends benefit provisions for PERS, TRS, and LEOFF. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington System Department of Retirement System, P.O. Box 48380, Olympia, WA, 98504.

Funding Policy

Each biennium, the Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required employee and/or employer contribution rates for PERS, TRS, and LEOFF plans, except where employee contribution rates are set by statute. All employers are required to contribute at the level established by State law.

The required contribution rates expressed as a percentage of current year covered payroll at June 30, 2013 are as follow:

| | Employee | University |
|--------------|----------|---------------|
| PERS | | |
| Plan I | 6.00% | 7.21% |
| Plan II | 4.64% | 7.21% |
| Plan III | 5% - 15% | 7.21% |
| TRS | | |
| Plan I | 6.00% | 8.04% - 8.05% |
| Plan II | 4.69% | 8.04% - 8.05% |
| Plan III | 5% - 15% | 8.04% - 8.05% |
| LEOFF | | |
| Plan II | 8.46% | 8.62% |

The required contributions for the years ending June 30, 2013, 2012 and 2011 are as follows:

| | 2013 | 2012 | 2011 |
|--------------|-------------|-------------|-------------|
| PERS | | | |
| Employee | \$1,604,739 | \$1,603,586 | \$1,466,592 |
| University | 2,297,067 | 2,289,213 | 1,738,991 |
| TRS | | | |
| Employee | \$31,890 | \$29,631 | \$28,122 |
| University | 36,137 | 33,660 | 26,711 |
| LEOFF | | | |
| Employee | \$72,180 | \$66,086 | \$65,066 |
| University | 73,545 | 67,336 | 66,022 |

All required employer and employee contributions have been made.

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

During the 2008 fiscal year, WWU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. OPEB are those provided to retired employees beyond those provided by their pension plans. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB expense in the year in which such benefits are earned by the member. Disclosure information, as required under GASB 45, does not exist at department levels and, as a result, the net OPEB obligation is recorded in the State of Washington comprehensive annual financial report which is available from:

Office of Financial Management, Insurance Building,
PO Box 43113, Olympia, Washington 98504-3113.

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit

subsidy"). For fiscal 2013, this amount was \$150 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington at January 1, 2011 to be \$3.5 billion.

The Actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in WWU's financial statement.

WWU was billed and paid approximately \$17.3 million for active and retiree health care expense during fiscal 2013 and \$18.2 million in fiscal 2012.

21. RISK MANAGEMENT

WWU participates in a State of Washington risk management self-insurance program. Premiums to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. WWU self-insures unemployment compensation for all employees.

In addition, sufficient insurance coverage for property casualty loss on the residence halls and the Wade King Student Recreation Center is maintained in accordance with the Housing and Dining System and Wade King Student Recreation Center Master Bond Resolutions.

22. COMMITMENTS

WWU has been named in several lawsuits. While the final outcome of the lawsuits cannot be predicted with certainty, it is WWU's opinion that the ultimate liability will not materially affect the financial statement.

WWU participates in the State insurance program and is indemnified and will be reimbursed by the State for any claims paid related to these lawsuits.

| | 2013 | 2012 |
|-------------------|---------------------|---------------------|
| Operating | \$3,605,931 | \$6,661,978 |
| Research | 524,672 | 677,966 |
| Capital projects | <u>9,820,775</u> | <u>16,614,668</u> |
| Total commitments | <u>\$13,951,378</u> | <u>\$23,954,612</u> |

23. JOINT VENTURE

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

Bellingham appointed by the Commission of the Port, the Executive Director of the Port of Bellingham, and a fifth board member who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or educational institutions to become members under such terms and conditions as they determine. The purpose of this joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on WWU's Statement of Net Position.

24. FOUNDATION PLEDGED GIFT RECEIVABLE

In April 2012, WWU received a \$1.0 million unconditional pledged gift from the Foundation for the purpose of the design and construction of the Multipurpose Field project to be located on WWU's campus. The pledged gift to WWU is recorded at its net present value, with the discount amortized over the 8 year payment schedule using the straight line method. The pledge 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>\$964,314</u> |



Accounting Services
333 32nd Street, Suite 114
Bellingham, WA 98225

Phone: 360-650-3040
Fax: 360-650-4666



HOUSING AND DINING SYSTEM

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HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

Overview

Western Washington University's Housing and Dining System (the System) maintains over a million square feet of living space - home to 4,000 students. Nine residential communities consist of sixteen residence halls and one apartment complex. Residence halls are all equipped with laundry facilities, computer labs, study areas, community kitchens, TV lounges, game rooms, bicycle storage, 24-hour security, and staffed service desks. Western's campus is a 20-minute walk from end to end, so no matter where you live your classes and activities are nearby.

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

Using the Financial Statements

The System's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The System's financial statements have been prepared using 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 System at the end of the fiscal years and reports all assets and liabilities of the System.

The amounts in this statement represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the System.

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

***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2013 and 2012

(Dollars in Thousands)

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|----------------------------------|-----------------|-----------------|-----------------|
| Assets | | | |
| Current Assets | \$10,009 | \$10,454 | \$9,986 |
| Noncurrent assets | 7,564 | 6,455 | 10,091 |
| Capital assets, net | <u>100,466</u> | <u>97,756</u> | <u>88,003</u> |
| Total assets | 118,039 | 114,665 | 108,080 |
| Deferred Outflows | | | |
| Deferred loss on bonds | 1,297 | 1,112 | 1,266 |
| Liabilities | | | |
| Current liabilities | 6,617 | 6,400 | 7,627 |
| Noncurrent liabilities | <u>47,790</u> | <u>50,410</u> | <u>53,208</u> |
| Total liabilities | 54,407 | 56,810 | 60,835 |
| Net Position | | | |
| Net investment in capital assets | 51,063 | 45,678 | 35,437 |
| Restricted, expendable | 3,235 | 3,212 | 3,184 |
| Unrestricted | <u>10,631</u> | <u>10,077</u> | <u>9,890</u> |
| Total net position | <u>\$64,929</u> | <u>\$58,967</u> | <u>\$48,511</u> |

Current assets decreased \$444,890 (-4.3%) in fiscal 2013 compared to 2012 due to expenditures for planned renovations. Current assets increased \$467,980 (4.7%) in fiscal 2012 when compared to 2011 primarily due to an increase in other receivables combined with an increase in short-term investments and a decrease in cash and cash equivalents. The \$556,049 (310.1%) increase in fiscal 2012 in other receivables is primarily due to a guaranteed commission commitment from the Aramark contract. Total assets increased \$3,373,861 (2.9%) in fiscal 2013 and \$6,585,351 (6.1%) in fiscal 2012 compared to fiscal 2011 due to capital additions.

Noncurrent assets, excluding capital assets, increased \$1,108,796 or 17.2% in fiscal 2013 over 2012 due to increases in US Agency investments along with a decrease in Other assets. The decrease in Other assets is due to the System implementing GASB Statement No. 65. This statement expensed bond costs that previously were being amortized over the life of the bonds. Noncurrent assets, excluding capital assets, decreased \$3,635,728 (-36.0%) in fiscal 2012 compared to fiscal 2011 due to spending restricted bond proceeds on the Buchanan Towers addition combined with a decrease in long-term investment maturities.

Capital assets increased \$2,709,956 or 2.8% in fiscal 2013 over fiscal 2012 due to the completion of a sprinkler project and a contribution from Aramark, the System's dining contractor, for capital improvements to a dining facility. Capital assets increased \$9,753,099 (11.1%) comparing fiscal 2012 with fiscal 2011 primarily due to the completion of the Buchanan Tower addition, first phase of two sprinkler projects, and a contribution from Aramark for capital improvements to several dining facilities.

Major projects completed during fiscal 2013 included Ridgeway Beta sprinklers and building enhancements, the residential WiFi project, and the replacement of the Lakewood boat dock. Major projects completed during fiscal 2012 include the Buchanan Tower addition and renovations to several residential and retail dining platforms.

Current liabilities increased \$217,500 or 3.4% in fiscal 2013 compared to 2012 primarily due to the timing of releasing the 2013 housing deposits. Current liabilities decreased \$1,227,693 (-16.1%) in fiscal 2012 compared

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

to fiscal 2011 primarily due to a decrease in housing deposits resulting from the timing of releasing the fiscal 2012 deposits, and a decrease in deferred revenue primarily impacted by the termination of the prior dining contractor's investment.

Total net position increased \$5,962,121 or 10.1% in fiscal 2013 over fiscal 2012 due to the completion of the planned renovations and an increase in unrestricted net assets. Total net position increased \$10,456,052 (21.6%) when comparing fiscal 2012 to fiscal 2011 due to the completion of the Buchanan Towers project, and the Aramark contract for dining services that brought greater commissions and a large contribution towards capital improvements.

Net investment in capital assets increased in fiscal 2013 by \$5,384,636 or 11.9% due primarily to the capitalization of the Ridgeway Beta and residential WiFi projects. Net investment in capital assets increased during fiscal 2012 by \$10,241,279 (28.9%) due to the capitalization of the Buchanan Towers Addition and the Ridgeway Beta renovation and capital improvements to several dining facilities.

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 System'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 housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided, such as investment income. Nonoperating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2013, 2012 and 2011:

(Dollars in thousands)

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---------------------------------|-----------------|-----------------|-----------------|
| Operating Revenues | \$39,241 | \$38,161 | \$35,583 |
| Operating Expenses | <u>(31,287)</u> | <u>(29,491)</u> | <u>(27,889)</u> |
| Income from operations | 7,954 | 8,670 | 7,694 |
| Nonoperating Revenues | 1,124 | 4,746 | 455 |
| Nonoperating Expenses | <u>(3,116)</u> | <u>(2,960)</u> | <u>(2,928)</u> |
| Increase in Net Position | 5,962 | 10,456 | 5,221 |
| Net Position, Beginning of year | <u>58,967</u> | <u>48,511</u> | <u>43,290</u> |
| Net Position, End of year | <u>\$64,929</u> | <u>\$58,967</u> | <u>\$48,511</u> |

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

Total operating revenue increased for fiscal 2013 primarily influenced by an increase to the room and board rate and occupancy/use levels.

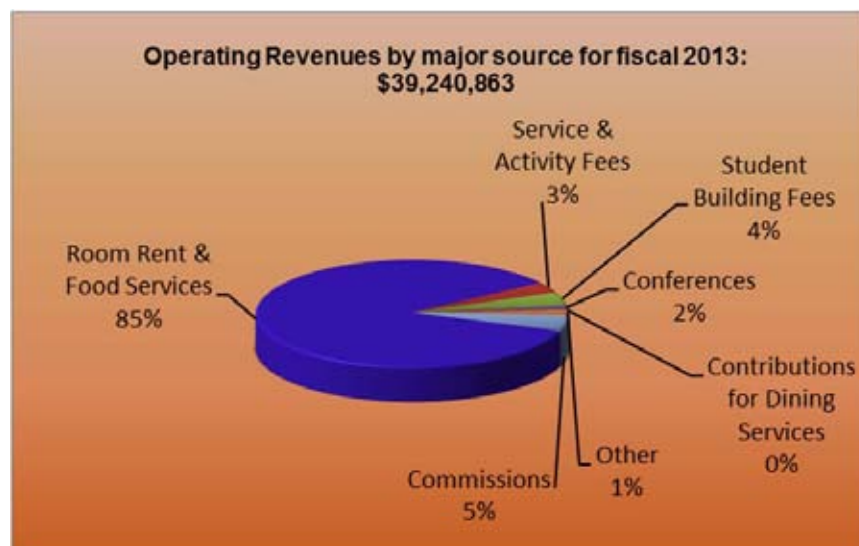
The System's largest revenue source is room rent and food services totaling \$33,349,604 (84.9%) of the System's operating revenue compared to \$31,957,200 (83.7%) in fiscal 2012 and \$30,572,528 (85.9%) in fiscal 2011.

Room and food service revenues increased \$1,392,404 or 4.4% due to the effects of a 3% rate increase and increased occupancy. Room and food service revenues increased \$1,384,672 (4.5%) in fiscal 2012 when compared to fiscal 2011 influenced primarily by a 4.0% rate increase.

During fiscal 2013 student building fee revenue decreased \$9,266 (-0.6%) compared to fiscal 2012 due to changes in enrollment patterns. During fiscal 2012, Student building fees revenue increased \$72,592 (4.7%) due primarily to an increase in the fee, from \$37 to \$39 for all students enrolled for at least 6 credits. Conference revenue increased \$42,726 or 8.3% in fiscal 2013 over 2012 due to a slight rate increase and increased bookings. Conference revenue increased slightly by \$2,261 (0.4%) in fiscal 2012 over 2011, also due to a slight increase in bookings. Commission revenue increased \$88,898 (4.9%) in fiscal 2013 primarily due to guaranteed dining commissions. Commission revenue increased \$1,180,573 (186.4%) in fiscal 2012 primarily due to the transition to the new dining contract.

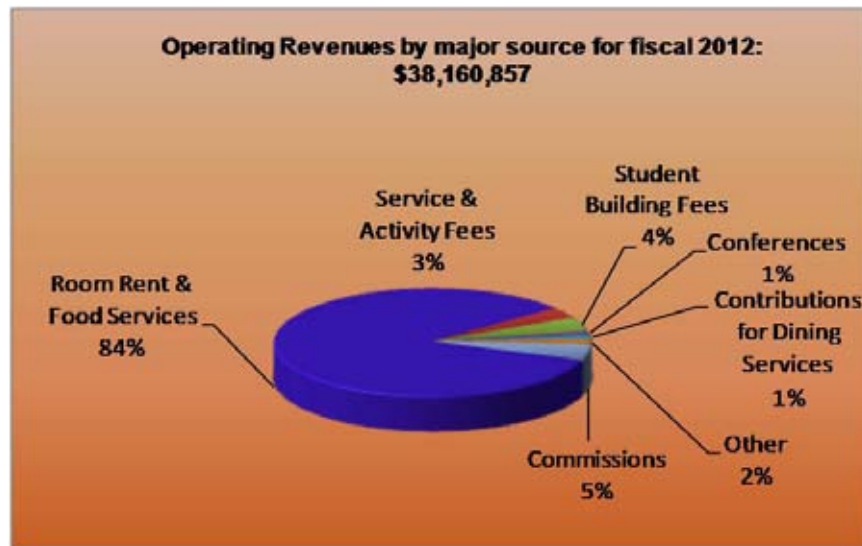
In September 2011 the University selected Aramark as the new dining contractor under a 10-year management agreement. The new contract provided for a revised commission structure and substantial contractor-provided capital and non-capital renovations. Those commissions are recorded in operating revenue as well as the non-capitalized portion of the contractor in-kind contribution. The capitalized portion of the contractor in-kind contribution is recorded as other capital contribution. The variance of \$438,031 (-98.2%) in contribution for dining services between fiscal 2013 and fiscal 2012 is due to a larger number of in-kind, non-capital renovations during FY12, the first year of the new dining contract where one resident dining hall and several retail dining platforms were renovated. See Note 6 for further information.

Overall annual occupancy increased 1.22% in fiscal 2013 from fiscal 2012. Average annual residence hall occupancy increased 1.4% while Birnam Wood and leased apartment occupancy increased 0.4%.



***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2013 and 2012



Overall operating expenses were up \$1,795,497 (6.1%) in fiscal 2013 primarily due to increases in depreciation and cost of food services. Overall operating expenses were up \$1,602,822 (5.7%) when comparing fiscal 2012 to fiscal 2011 primarily due to an increase in depreciation and non-capitalized renewals and replacements.

Cost of food services increased \$666,602 (6.2%) in fiscal 2013 due to the combination of rate increase, increased residence hall occupancy, and additional voluntary meal plan purchases. Cost of food services increased \$324,441 (3.1%) when comparing fiscal 2012 to fiscal 2011 due to the new meal plan rate structure under the Aramark dining contract.

The year-to-year percent of expense by category was generally consistent across all major categories. Salaries and benefits decreased \$111,312 (-1.8%) in fiscal 2013 compared to fiscal 2012 due to position vacancies. Salaries and benefits expense increased slightly in fiscal 2012 by \$80,469 (1.3%) with approximately half of the increase due to various wages adjustments and the other half due to benefits increase.

Utilities expense increased \$57,192 or 2.4% over fiscal 2012 due to increases in all utility areas except natural gas. Utilities expense decreased \$73,656 (-3.1%) during fiscal 2012 due to reduced heating/natural gas expenditures.

Repairs and maintenance expense decreased \$191,387 (-9.1%) from fiscal 2012 as some larger repair projects were classified as non-capitalized renewal & replacements. Repairs and maintenance expense increased \$227,290 (12.1%) when comparing fiscal 2012 to fiscal 2011 due to increased work order maintenance and a transfer of a non-capitalized project expense to operating maintenance. There were no major unanticipated incidents in fiscal 2013.

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

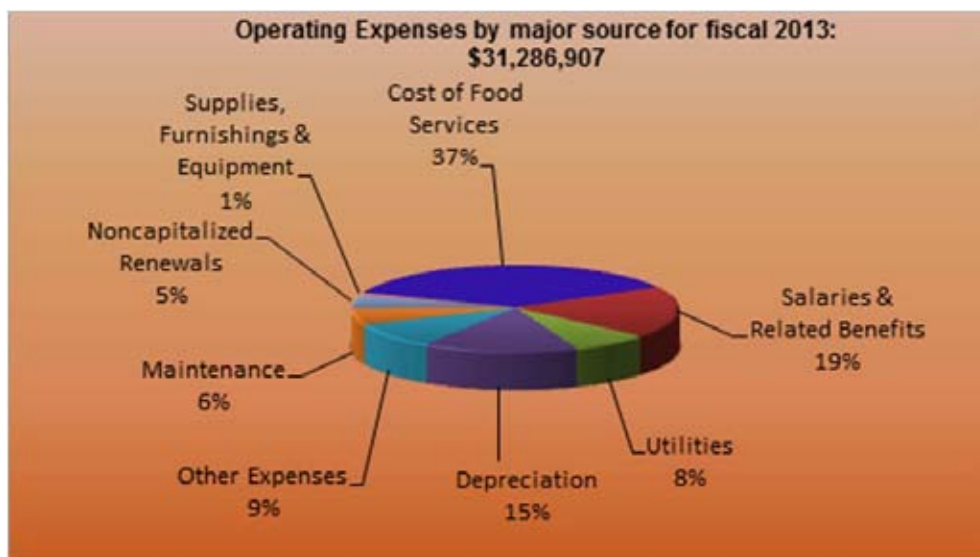
June 30, 2013 and 2012

Depreciation expense increased \$1,065,372 (29.1%) in fiscal 2013 due to the addition of completed renovations. Depreciation expense increased \$315,500 (9.4%) during fiscal 2012 due to the Buchanan Towers remodel completion.

The University's administrative services assessment fee (included in institutional services) increased \$69,745 (6.3%) in fiscal 2013 compared to 2012. In fiscal 2012 the assessment increased \$177,112 (19.0%) over fiscal 2011. The rate charged against the System revenues (less food service contract) was 4.5% in fiscal 2013, 4.5% in fiscal 2012, and 4.0% in fiscal 2011.

Other expenses increased \$483,165 (109%) during fiscal 2013 compared to 2012 primarily due to an increase in other goods and services expense and interdepartmental activities support. Other expenses decreased \$296,610 (-40.1%) during fiscal 2012 due to the elimination of rental expense from the leased apartments.

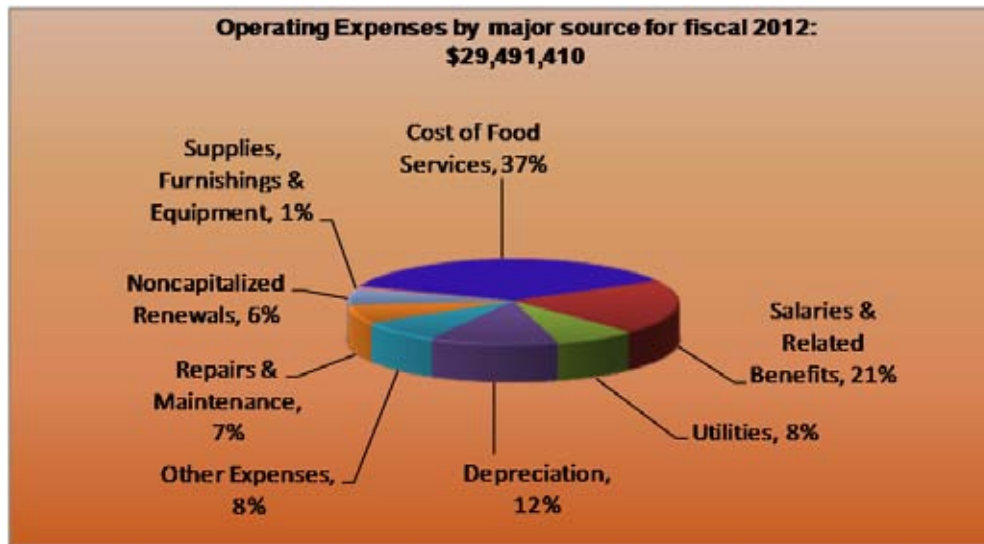
Non-operating expenses increased \$155,996 or 5.3% in fiscal 2013 due to the net of increased bond cost amortization (GASB 65 implementation) and decreased interest expense (from recent refunding and reduced principal balances). Non-operating expenses increased \$31,548 (1.1%) in fiscal 2012 due primarily to increased bond interest expense.



Non-Operating revenue decreased \$3,622,442 or -76.3% in fiscal 2013 due to the lower capital contribution from Aramark compared with fiscal 2012. Non-operating revenue increased \$4,291,275 (942.96%) when comparing fiscal 2012 to fiscal 2011 due to Aramark's capital contribution for the renovation of certain dining facilities.

***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2013 and 2012



Economic Factors and Significant Events

The University's Fall quarter of fiscal 2013 enrollment headcount of 14,065 represents a 0.24% increase over Fall fiscal 2012 enrollment. The average annual fiscal 2013 enrollment was slightly less than fiscal 2012. Management will address housing demand independent of enrollment through room capacity practices.

The revised 10-year auxiliary capital plan for University Residences, shared with the University's Board of Trustees in December 2012, is on track for renovations such as fire sprinkler installation, seismic upgrades, and general upgrades for residential and dining facilities. Most of the remaining renovations to residential and retail dining platforms have been completed. System leadership is reviewing options for the renovation or replacement of the Edens North facility.

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2010) to guide the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System exceeded the minimum requirements established within these principles. The Board periodically reviews the principles to ensure ongoing compliance.

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Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 15, 2013

Board of Trustees
Western Washington University Housing and Dining System
Bellingham, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (Housing and Dining), 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 Housing and Dining'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 Housing and Dining'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 Housing and Dining'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 Housing and Dining System 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 Housing and Dining. 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 Housing and Dining System, 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, Housing and Dining 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

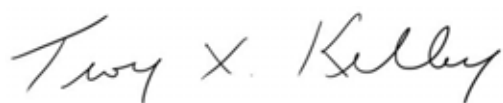
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

The information identified in the table of contents as Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of Housing and Dining. 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".

TROY KELLEY
STATE AUDITOR

***HOUSING AND DINING SYSTEM
STATEMENT OF NET POSITION***

June 30, 2013 and 2012

| Assets | 2013 | 2012 |
|--|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$5,679,981 | \$6,460,372 |
| Investments (Note 2) | 3,400,305 | 3,123,679 |
| Accounts receivable, net of allowance of \$55,958 and \$37,930 in 2013 and 2012, respectively | 190,825 | 117,867 |
| Interest receivable | 7,041 | 14,866 |
| Other receivables | 728,644 | 735,383 |
| Inventory | 2,091 | 1,609 |
| Total current assets | <u>10,008,887</u> | <u>10,453,777</u> |
| Noncurrent assets | | |
| Restricted cash and cash equivalents (Note 2) | - | 6,080 |
| Restricted investments (Note 2) | 3,048,011 | 3,019,505 |
| Investments (Note 2) | 4,516,518 | 2,976,726 |
| Capital assets, net (Note 3) | 100,465,580 | 97,755,624 |
| Other assets (Note 1) | - | 453,423 |
| Total noncurrent assets | <u>108,030,109</u> | <u>104,211,358</u> |
| Total assets | <u>118,038,996</u> | <u>114,665,135</u> |
| Deferred outflows | | |
| Deferred loss on bond refunding | 1,297,571 | 1,111,539 |
| Total deferred outflows | <u>1,297,571</u> | <u>1,111,539</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 989,308 | 1,316,532 |
| Accrued expenses | 594,204 | 675,696 |
| Residents' housing deposits | 1,287,276 | 804,931 |
| Deferred revenue | 281,712 | 216,027 |
| Bonds interest payable | 554,703 | 601,517 |
| Current portion of bonds payable (Note 4) | 2,910,000 | 2,785,000 |
| Total current liabilities | <u>6,617,203</u> | <u>6,399,703</u> |
| Bonds payable, less current portion (Note 4) | <u>47,790,329</u> | <u>50,410,057</u> |
| Total liabilities | <u>54,407,532</u> | <u>56,809,760</u> |
| Net Position | | |
| Net investment in capital assets | 51,062,822 | 45,678,186 |
| Restricted, expendable | 3,235,269 | 3,212,474 |
| Unrestricted | 10,630,944 | 10,076,254 |
| Total net position | <u>\$64,929,035</u> | <u>\$58,966,914</u> |

HOUSING AND DINING SYSTEM**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION***June 30, 2013 and 2012*

| | 2013 | 2012 |
|--|----------------------------|----------------------------|
| Operating Revenues | | |
| Room rent and food services | \$33,349,603 | \$31,957,200 |
| Service and activity fees | 1,272,423 | 1,283,770 |
| Student building fees | 1,594,350 | 1,603,616 |
| Conferences | 560,237 | 517,511 |
| Viking Union income | 160,449 | 158,085 |
| Contribution for dining services | 8,107 | 446,138 |
| Rent | 112,276 | 99,341 |
| Commissions | 1,902,760 | 1,813,862 |
| Fees, penalties, and other income | 280,657 | 281,334 |
| Total operating revenue | <u>39,240,862</u> | <u>38,160,857</u> |
| Operating Expenses | | |
| Cost of food services | 11,463,480 | 10,796,878 |
| Salaries and related benefits | 5,978,738 | 6,090,050 |
| Utilities | 2,395,748 | 2,338,556 |
| Repairs and maintenance | 1,920,631 | 2,112,018 |
| Communications | 307,041 | 259,523 |
| Insurance | 387,504 | 406,602 |
| Supplies | 259,100 | 195,313 |
| Furniture and equipment | 156,292 | 199,120 |
| Institutional services | 1,340,014 | 1,285,351 |
| Depreciation | 4,727,858 | 3,662,486 |
| Noncapitalized renewals and replacements | 1,424,581 | 1,702,758 |
| Other | 925,920 | 442,755 |
| Total operating expenses | <u>31,286,907</u> | <u>29,491,410</u> |
| Income from operations | <u>7,953,955</u> | <u>8,669,447</u> |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 79,781 | 80,221 |
| Build America Bonds interest subsidy | 318,574 | 318,574 |
| Other Capital Contribution | 725,563 | 4,347,565 |
| Interest expense | (2,555,954) | (2,760,691) |
| Amortization of bond discounts and costs | (559,798) | (199,065) |
| Total nonoperating revenues (expenses) | <u>(1,991,834)</u> | <u>1,786,604</u> |
| Increase in net position | 5,962,121 | 10,456,051 |
| Net Position, Beginning of Year | <u>58,966,914</u> | <u>48,510,863</u> |
| Net Position, End of Year | <u><u>\$64,929,035</u></u> | <u><u>\$58,966,914</u></u> |

***HOUSING AND DINING SYSTEM
STATEMENT OF CASH FLOWS***

June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------------|---------------------------|
| Cash Flows from Operating Activities | | |
| Cash received from students and other customers | 39,722,673 | \$36,721,574 |
| Cash paid to employees | (5,957,199) | (6,098,863) |
| Cash paid to suppliers | <u>(20,540,016)</u> | <u>(20,981,298)</u> |
| Net cash flows provided by operating activities | 13,225,458 | 9,641,413 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from capital debt | (100,000) | 100,000 |
| Capital Contribution | 725,563 | 4,347,565 |
| Payment of long-term debt | (2,787,135) | (2,678,615) |
| Interest payments | (2,602,768) | (2,783,678) |
| Build America Bonds interest subsidy | 318,574 | 318,574 |
| Purchase of capital assets | <u>(7,808,845)</u> | <u>(12,701,851)</u> |
| Net cash flows (used in) by capital and related financing activities | (12,254,611) | (13,398,005) |
| Cash Flows from Investing Activities | | |
| Investment income received | 87,606 | 102,233 |
| Net (loss) proceeds of restricted investments | (28,506) | (42,247) |
| Receipt of payment on note receivable | - | - |
| Sales of investments | <u>(1,816,418)</u> | <u>1,429,600</u> |
| Net cash flows (used in) provided by investing activities | <u>(1,757,318)</u> | <u>1,489,586</u> |
| Net change in cash and cash equivalents | (786,471) | (2,267,006) |
| Cash and Cash Equivalents, Beginning of Year | <u>6,466,452</u> | <u>8,733,458</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$5,679,981</u></u> | <u><u>\$6,466,452</u></u> |
| Reconciliation of Operating Income to Net Cash Provided to Operating Activities | | |
| Operating income | 7,953,955 | 8,669,447 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Depreciation | 4,727,858 | 3,662,486 |
| Loss on disposal of fixed asset | - | 38,720 |
| Change in operating assets and liabilities | | |
| Accounts receivable | (72,958) | (10,979) |
| Other receivables | 6,739 | (556,049) |
| Inventory | (482) | (51) |
| Accounts payable | 40,777 | (1,281,093) |
| Accrued salaries and benefits | 21,539 | (8,813) |
| Residents' housing deposits | 482,345 | (471,269) |
| Deferred revenue | <u>65,685</u> | <u>(400,986)</u> |
| Cash flows from operating activities | <u><u>\$13,225,458</u></u> | <u><u>\$9,641,413</u></u> |
| Supplemental Disclosure of Noncash Capital and Related Financing Activities | | |
| Change in capital asset additions included in accounts payable | <u><u>(\$371,033)</u></u> | <u><u>\$752,454</u></u> |

See Notes to the Financial Statements

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***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2013 and 2012

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Housing and Dining System (the System) is a self-supporting, auxiliary enterprise of Western Washington University (the University). The System operates residence halls and dining commons, an apartment complex, the Commissary/Warehouse, the Viking Union Complex and Lakewood Recreational Facility. These operations are located on or near the University campus.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles (GAAP) and follow 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 System. The financial statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net position of the University.

Basis of Accounting

The System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

Receivables are primarily from students of the University and are unsecured. The System considers all accounts past due when they remain unpaid after their due dates. An allowance based on historical collection rates is established for recognizing potential bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

Inventory consists of snack and sundry items and is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

The capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. The basis of valuation for assets purchased or constructed is cost. The costs of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and building improvements, 20 to 25 years for infrastructure and other improvements, and 5 to 7 years for furniture, fixtures, and equipment.

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2013 and 2012

Deferred Outflows

For the year ended June 30, 2013, the System 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 losses on defeasance from the refunding of bonds as a deferred outflow of resources. The deferred outflow amounts are \$1,297,571 and \$1,111,539 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 the University’s fiscal year, begins shortly before June 30. Room and board charges related to fiscal year 2013 are deferred until the following fiscal year.

Net Position

The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.
- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities. The System has internally designated \$8,591,434 and \$8,118,045 of this balance at June 30, 2013 and 2012, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenues and Expenses

The System has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Operating expenses. Operating expenses are those incurred in daily operations such as salaries and wages, benefits, utilities and supplies.

Nonoperating revenues. Nonoperating revenues include activities that have the characteristics of non-exchange transactions such as investment income.

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

Bond Premiums/Discounts and Issuance Costs

Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Position net

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

of the face amount of bonds payable. The System adopted GASB 65 “*Items Previously Reported as Assets and Liabilities*” during fiscal year 2013. This pronouncement removed bond issuance costs as an asset and as such the remaining unamortized bond costs were fully amortized during fiscal 2013. The remaining unamortized bond costs for fiscal 2012 are reported as other assets on the Statement of Net Position.

Administrative Assessment

The University provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was \$1,179,174 and \$1,109,429 for the years ending June 30, 2013 and 2012, respectively.

Tax Exemptions

The University, and the System as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under the provisions of Section 115(a) of the Internal Revenue Code and are exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts related to the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 financial statement presentation.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System’s operating cash is part of the University’s internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service.

The University manages its exposure to fair value losses in the internal investment pool by limiting the duration of its portfolio to a maximum of 2.25 years, with no more than 3 years for weighted average maturity.

The System’s investments of \$3,048,011 and \$3,019,505 in fiscals 2013 and 2012 respectively are restricted for renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities.

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2013 and 2012

| | June 30, 2013 | Weighted Average Maturity (in years) | June 30, 2012 | Weighted Average Maturity (in years) |
|------------------------------------|---------------------|---|---------------------|---|
| Cash and cash equivalents | 5,679,981 | 0.00 | \$6,460,008 | n/a |
| LGIP (unspent bond proceeds) | - | 0.00 | 6,080 | n/a |
| Investments | | | | |
| Certificates of deposit-restricted | 1,521,563 | 3.241 | 1,493,498 | 0.013 |
| U.S. Agencies-restricted | 1,526,449 | 0.411 | 1,526,007 | 0.025 |
| Certificates of deposit | 858,183 | 0.057 | 899,700 | 0.028 |
| U.S. Treasury | - | | | |
| U.S. Agencies | 7,058,639 | 1.311 | 5,201,070 | 0.68 |
| | <u>\$16,644,815</u> | | <u>\$15,586,363</u> | |

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2013 and 2012 was \$4,727,858 and \$3,662,486, respectively.

Following are the changes in capital assets for the year ended June 30, 2013:

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

| Description | June 30, 2012 | Additions | Retirements | Transfers | June 30, 2013 |
|------------------------------------|---------------|-------------|-------------|---------------|---------------|
| Non-depreciable capital assets | | | | | |
| Construction in progress | \$7,067,916 | \$3,536,676 | \$ - | (\$5,345,280) | \$5,259,312 |
| Depreciable capital assets | | | | | |
| Buildings | 104,021,951 | | | | \$104,021,951 |
| Buildings improvements | 26,458,414 | 933,346 | | 5,345,280 | 32,737,040 |
| Furniture, fixtures, and equipment | 3,828,881 | 2,967,791 | (20,243) | | 6,776,429 |
| Infrastructure | 4,492,564 | | | | 4,492,564 |
| Total cost | 145,869,726 | 7,437,813 | (20,243) | - | 153,287,296 |
| Accumulated Depreciation | | | | | |
| Buildings | 40,027,695 | 2,112,136 | | | 42,139,831 |
| Buildings improvements | 5,171,679 | 1,587,225 | | | 6,758,904 |
| Furniture, fixtures, and equipment | 1,344,089 | 900,379 | (20,243) | | 2,224,225 |
| Infrastructure | 1,570,639 | 128,117 | | | 1,698,756 |
| Total accumulated depreciation | 48,114,102 | 4,727,857 | (20,243) | - | 52,821,716 |
| Capital assets, net | \$97,755,624 | \$2,709,956 | \$ - | \$ - | \$100,465,580 |

Following are the changes in capital assets for the year ended June 30, 2012:

| Description | June 30, 2011 | Additions | Retirements | Transfers | June 30, 2012 |
|------------------------------------|---------------|--------------|-------------|-----------------|---------------|
| Non-depreciable capital assets | | | | | |
| Construction in progress | \$14,438,143 | \$5,576,746 | \$ - | (\$12,946,973) | \$7,067,916 |
| Depreciable capital assets | | | | | |
| Buildings | 89,184,792 | 14,837,159 | - | - | 104,021,951 |
| Buildings improvements | 22,336,775 | 4,121,639 | - | - | 26,458,414 |
| Furniture, fixtures, and equipment | 2,108,168 | 1,865,734 | (145,021) | - | 3,828,881 |
| Infrastructure | 4,492,564 | - | - | - | 4,492,564 |
| Total cost | 132,560,442 | 26,401,278 | (145,021) | (12,946,973) | 145,869,726 |
| Accumulated Depreciation | | | | | |
| Buildings | 38,056,439 | 1,971,256 | - | - | 40,027,695 |
| Buildings improvements | 3,941,768 | 1,229,911 | - | - | 5,171,679 |
| Furniture, fixtures, and equipment | 1,117,540 | 332,850 | (106,301) | - | 1,344,089 |
| Infrastructure | 1,442,170 | 128,469 | - | - | 1,570,639 |
| Total accumulated depreciation | 44,557,917 | 3,662,486 | (106,301) | - | 48,114,102 |
| Capital assets, net | \$88,002,525 | \$22,738,792 | (\$38,720) | \$ (12,946,973) | \$97,755,624 |

NOTE 4. BONDS PAYABLE

In accordance with bond covenants, a Renewal and Replacement (R&R) Fund has been established to pay extraordinary operating and maintenance expenses; to make capital replacements, expansions, additions, repairs and renewals of the System; and to pay bond principal and interest to the extent other funds are not legally available. The balance of the R&R Fund must equal at least 5% of the principal balance of outstanding bonds.

Bond covenants also require that the System pledge net revenue (as defined) in each fiscal year at least equal to the greater of (i) 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (ii) amounts required to be deposited during such fiscal year from net revenues into debt service and reserve funds established for outstanding bonds and into the R&R Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2013 and 2012

| | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|--|----------------------|----------------------|
| Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts beginning in fiscal 2014 ranging from \$750,000 to \$980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of \$9,205,000 at June 30, 2013 which is reported net of the unamortized original issues premium of \$533,980. | \$9,738,980 | \$ - |
| Series 2009 A & B Housing and Dining Revenue Bonds with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from \$290,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$13,440,000 at June 30, 2013 which is reported net of the unamortized original issue premium of \$4,224. | 13,444,224 | 13,738,420 |
| Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$405,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$7,110,000 at June 30, 2013 which is reported net of the unamortized original premium of \$27,851. | 7,137,851 | 7,546,806 |
| Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50%, and principal payments due in annual amounts ranging from \$600,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$10,305,000 at June 30, 2013, which is reported net of the unamortized original discount of \$95,502. | 10,209,498 | 10,796,536 |
| Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65%, and principal payments due in annual amounts ranging from \$695,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$0 at June 30, 2013, which is reported net of the unamortized original issue discount of \$0. | - | 10,125,202 |
| Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds, with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from \$795,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$10,055,000 at June 30, 2013, which is reported net of the unamortized original issue premium of \$114,776. | 10,169,776 | 10,988,092 |
| | <u>50,700,329</u> | <u>53,195,056</u> |
| Less current portion | <u>(2,910,000)</u> | <u>(2,785,000)</u> |
| | <u>\$47,790,329</u> | <u>\$50,410,056</u> |

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2013 and 2012

Following are the changes in long-term liabilities for the year ended June 30, 2013:

| Bonds Payable | June 30, 2012 | Additions | Reductions | June 30, 2013 | Current Portion |
|---|---------------|-----------|--------------|---------------|-----------------|
| Series 2012 Refunding Bonds | - | 9,205,000 | - | 9,205,000 | 750,000 |
| Series 2009 Revenue Bonds | 13,730,000 | - | (290,000) | 13,440,000 | 295,000 |
| Series 2006 Revenue Bonds | 7,515,000 | - | (405,000) | 7,110,000 | 420,000 |
| Series 2005 Refunding Bonds | 10,905,000 | - | (600,000) | 10,305,000 | 620,000 |
| Series 2003 Revenue and Refunding Bonds | 10,175,000 | - | (10,175,000) | - | - |
| Series 1998 Junior Lien Revenue Refunding | 10,850,000 | - | (795,000) | 10,055,000 | 825,000 |
| | 53,175,000 | 9,205,000 | (12,265,000) | 50,115,000 | 2,910,000 |
| Plus unamortized premium | 178,318 | 622,775 | (120,262) | 680,831 | - |
| Less unamortized discount | (158,261) | | 62,759 | (95,502) | - |
| Total Long-term liabilities | 53,195,057 | 9,827,775 | (12,322,503) | 50,700,329 | 2,910,000 |

Following are the changes in long-term liabilities for the year ended June 30, 2012:

| Bonds Payable | June 30, 2011 | Additions | Reductions | June 30, 2012 | Current Portion |
|---|---------------|-----------|-------------|---------------|-----------------|
| Series 2009 Revenue Bonds | 14,010,000 | | (280,000) | 13,730,000 | 290,000 |
| Series 2006 Revenue Bonds | 7,905,000 | | (390,000) | 7,515,000 | 405,000 |
| Series 2005 Refunding Bonds | 11,485,000 | | (580,000) | 10,905,000 | 600,000 |
| Series 2003 Revenue and Refunding Bonds | 10,850,000 | | (675,000) | 10,175,000 | 695,000 |
| Series 1998 Junior Lien Revenue Refunding | 11,605,000 | | (755,000) | 10,850,000 | 795,000 |
| | 55,855,000 | - | (2,680,000) | 53,175,000 | 2,785,000 |
| Plus unamortized premium | 212,862 | | (34,544) | 178,318 | - |
| Less unamortized discount | (179,794) | | 21,533 | (158,262) | - |
| Total Long-term liabilities | 55,888,068 | - | (2,693,011) | 53,195,056 | 2,785,000 |

Total interest incurred on bonds payable for the years ended June 30, 2013 and June 30, 2012 was \$2,555,954 and \$2,760,691, respectively.

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

The principal and interest maturities of bonds payable for years ending June 30 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| 2014 | 2,910,000 | 2,393,684 | 5,303,684 |
| 2015 | 3,035,000 | 2,384,039 | 5,419,039 |
| 2016 | 3,145,000 | 2,259,952 | 5,404,952 |
| 2017 | 3,285,000 | 2,121,325 | 5,406,325 |
| 2018 | 3,430,000 | 1,976,333 | 5,406,333 |
| 2019-2023 | 18,910,000 | 7,411,334 | 26,321,334 |
| 2024-2028 | 9,445,000 | 3,555,693 | 13,000,693 |
| 2029-2033 | 4,840,000 | 1,490,700 | 6,330,700 |
| 2034-2035 | 1,115,000 | 82,510 | 1,197,510 |
| | <u>\$50,115,000</u> | <u>\$23,675,570</u> | <u>\$73,790,570</u> |
| Less unamortized (discounts)/premiums & loss on defeasance | <u>585,329</u> | | |
| | <u>\$50,700,329</u> | | |

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2013 and 2012, these commitments totaled \$3,019,441 and \$5,937,915 respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

In fiscal 2012 Aramark contracted with the University to manage the dining services provided by the System. As part of this contract, Aramark agreed to provide a total of \$7,314,000 to the System as a financial commitment for the acquisition of capital and non-capital assets. \$733,670 and \$4,793,703 of that amount was used in fiscals 2013 and 2012 respectively. The System terminated the former contract with Sodexo LLC one year early (August 31, 2011) and returned the remaining unused contribution of \$347,544 to Sodexo LLC during fiscal 2012.

NOTE 7. PENSION PLAN

As employees of the University, the full-time System employees are participants in the State of Washington Public Employees' Retirement System ("PERS") or the Western Washington University Retirement Plan ("WWURP"). The WWURP plan is a defined contribution plan. PERS is a defined benefit pension plan. The University contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2013 and 2012

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 provision for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available for the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

Western Washington University Retirement Plan (WWURP) is a defined contribution single-employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit 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. The University makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. The University matches the contributions. All required employer and employee contributions have been made.

The System contributed approximately \$190,774, \$200,869 and \$173,908 to these plans in fiscal 2013, 2012 and 2011 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

SUPPLEMENTAL INFORMATION

**SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2013**

RESIDENCE HALLS

| | Meals per Quarter | | | |
|---|-------------------|------------|------------|-----------|
| | <u>Unlimited</u> | <u>125</u> | <u>100</u> | <u>75</u> |
| Room and Board Academic Year Contracts | | | | |
| Double room/double occupancy | \$9,373 | \$9,019 | \$8,671 | \$8,317 |
| Single room/single occupancy | \$10,336 | \$9,982 | \$9,634 | \$9,280 |
| Double room/single occupancy (super single) | \$10,887 | \$10,533 | \$10,185 | \$9,831 |
| Triple room/triple occupancy | \$8,203 | \$7,849 | \$7,501 | \$7,147 |

APARTMENTS

| | Double with | | |
|---|------------------|-----------------------------------|--------------------|
| | <u>2/bedroom</u> | <u>Super Single 1/bedroom</u> | <u>Family Rate</u> |
| Apartment only Academic Year Contracts | | | |
| Birnam Wood - 2 Bedroom Units | \$2,973 | \$5,940 | \$11,899 |

**SCHEDULE OF OCCUPANCY
Year Ended June 30, 2013**

| | <u>OCCUPANCY CAPACITY</u> | | <u>ACTUAL OCCUPANCY</u> | <u>ACTUAL OCCUPANCY AS A PERCENT OF</u> | |
|-------------|----------------------------------|-----------------------------|------------------------------------|--|--------------------------------------|
| | <u>Designed (1)</u> | <u>Operating (2)</u> | | <u>Designed Capacity</u> | <u>Operating Capacity</u> |
| Fall 2012 | 4,159 | 4,043 | 4,030 | 96.9% | 99.7% |
| Winter 2013 | 4,159 | 4,043 | 3,882 | 93.3% | 96.0% |
| Spring 2013 | <u>4,159</u> | <u>4,043</u> | <u>3,739</u> | <u>89.9%</u> | <u>92.5%</u> |
| Average | 4,159 | 4,043 | 3,884 | 93.4% | 96.1% |

- (1) Designed capacity is the number of students for which the Housing and Dining System was originally constructed and subsequently remodeled to accommodate.
- (2) Operating capacity is the number of students that can effectively be accommodated in an academic quarter based on housing policies in effect for that quarter.

SCHEDULE OF INSURANCE COVERAGE FISCAL 2013

The University purchases buildings, contents, and business interruption insurance for the System through its participation in the State of Washington Master Property Insurance program. The System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from insured property and is included in the policy limits with a \$32,500,000 sub-limit. Other highlights of insurance coverage are as follows:

- Replacement cost coverage for all scheduled buildings for “all risk” of direct physical loss or damage, including earthquake and flood.
- The policy limit is \$100,000,000 per occurrence, with an aggregate limit of \$100,000,000 for earthquake and flood damage. There is a \$250,000 deductible per occurrence that increases to 3% of the value of damaged property subject to a \$250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance: State of Washington Program, \$50,000,000 per accident, \$5,000 deductible on insured objects and \$50,000 deductible for property damage.
- Third-party bodily injury and property damage liability insurance: State-funded self-insurance program, \$10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The System's property insurance in effect at June 30, 2013 is summarized as follows:

| | Values Used for Fire and Extended Coverage of Buildings |
|-------------------------------------|--|
| Ridgeway Residences and Commons | \$81,424,142 |
| Fairhaven Residences and Commons | 52,538,419 |
| Buchanan Towers | 38,906,000 |
| Edens Hall and Edens Hall North | 29,241,890 |
| Viking Union, Addition and Commons | 39,805,365 |
| Birnam Wood Residences | 35,226,754 |
| Nash Hall | 24,815,214 |
| Mathes hall | 24,327,888 |
| Higginson hall | 16,695,016 |
| Commissary | 10,496,519 |
| Highland Hall | 7,399,881 |
| Lakewood Recreational Facility | 1,929,575 |
| Building Insured Values | 362,806,663 |
| Insured Contents | 15,238,761 |
| Total | <u>\$378,045,424</u> |

***HOUSING AND DINING SYSTEM
SUPPLEMENTAL INFORMATION***

June 30, 2013 and 2012

EXPENDED FOR PLANT FACILITIES FISCAL 2013 and 2012

Expenditures by the System to maintain and improve its facilities are listed below. Some of these projects are capitalized and increase the value of the System's buildings. Others are costs to maintain the buildings and infrastructure and are expensed.

| | <u>2013</u> | <u>2012</u> |
|---|--------------------|---------------------|
| Capitalized Projects | | |
| Aramark Contracted Renovations | \$725,563 | \$4,793,703 |
| New Residence Hall | - | 3,382,200 |
| Buchanan Towers Fire Sprinklers | - | 10,776 |
| Ridgeway Beta Renovation | 2,012,976 | 2,415,974 |
| Mathes Fire Sprinklers | 1,989,372 | 1,690,562 |
| Nash Fire Sprinklers | 383,202 | - |
| Dining Capital Investment Projects | 17,650 | - |
| Voice Safety Systems & Network Upgrades | - | - |
| Wireless Data Infrastructure | 535,474 | 1,639,578 |
| Lakewood Dock Replacement | 445,544 | - |
| Edens & Alpha Fire Sprinklers | 1,146,452 | 32,074 |
| | <u>\$7,256,233</u> | <u>\$13,964,867</u> |
| Non-Capitalized Projects | | |
| Other | 288,844 | 205,401 |
| Equipment | 256,211 | 99,800 |
| Bathroom & Shower renovations | 202,361 | 141,627 |
| Furniture & Carpet | 119,575 | 329,289 |
| Door Replacements | 113,180 | - |
| Painting | 111,328 | 105,792 |
| Media Installations | 111,097 | - |
| Plumbing, heating and electrical | 81,884 | 653 |
| Lighting Retrofits & Changes | 77,475 | 6,230 |
| ADA Upgrades | 65,886 | - |
| Edens Main Floor Remodel | 61,542 | - |
| Roof Repair/Recoat/Replace | 41,761 | - |
| Viking Union Projects | 5,966 | 79,435 |
| Asbestos abatement & flooring | - | 116,707 |
| Lakewood Dock Replacement | - | 78,079 |
| Fairhaven Flood Restoration | - | 71,189 |
| Laundry Room Remodel | - | 28,504 |
| | <u>\$1,537,110</u> | <u>\$1,262,706</u> |

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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> |
|---|---------------------------|---------------------------|---------------------------|
| Assets | | | |
| 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 |
| Deferred outflows | | | |
| | <u>500,022</u> | <u>532,441</u> | <u>50,493</u> |
| Liabilities | | | |
| 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 |
| Net Position | | | |
| 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

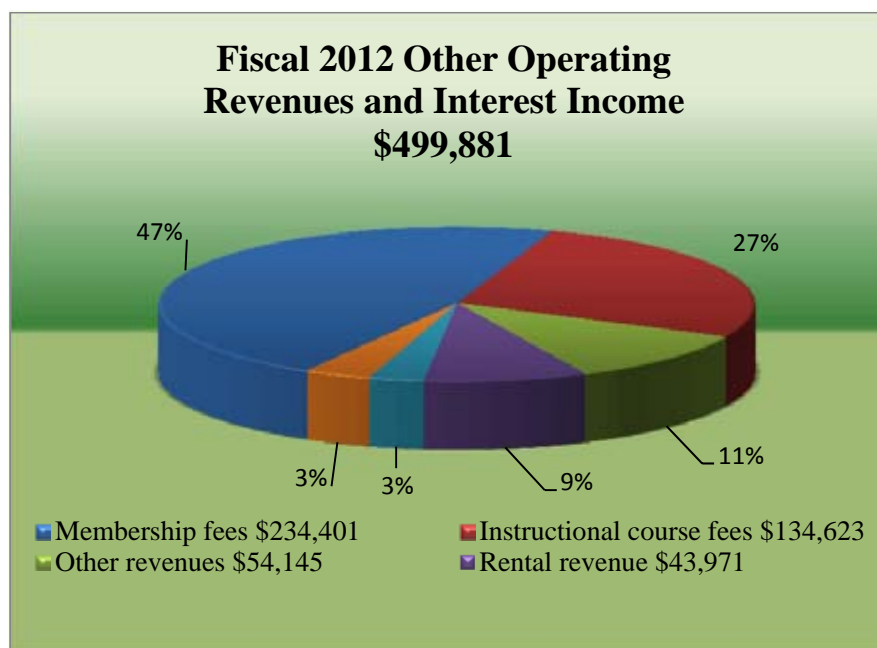
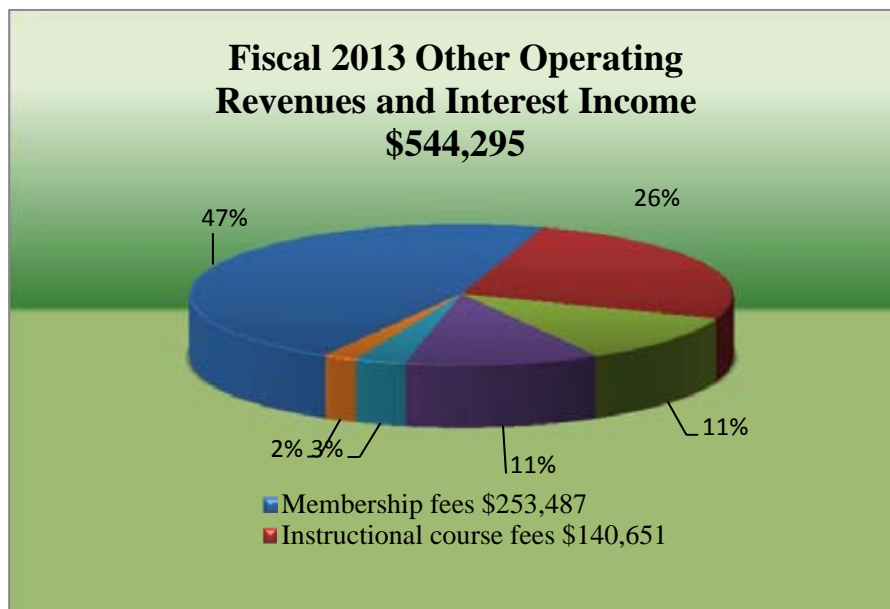
The Recreation Center's largest source of revenue is a \$95 per quarter mandatory service and activity fee for use of the facility for those students taking six or more credits. Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. The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

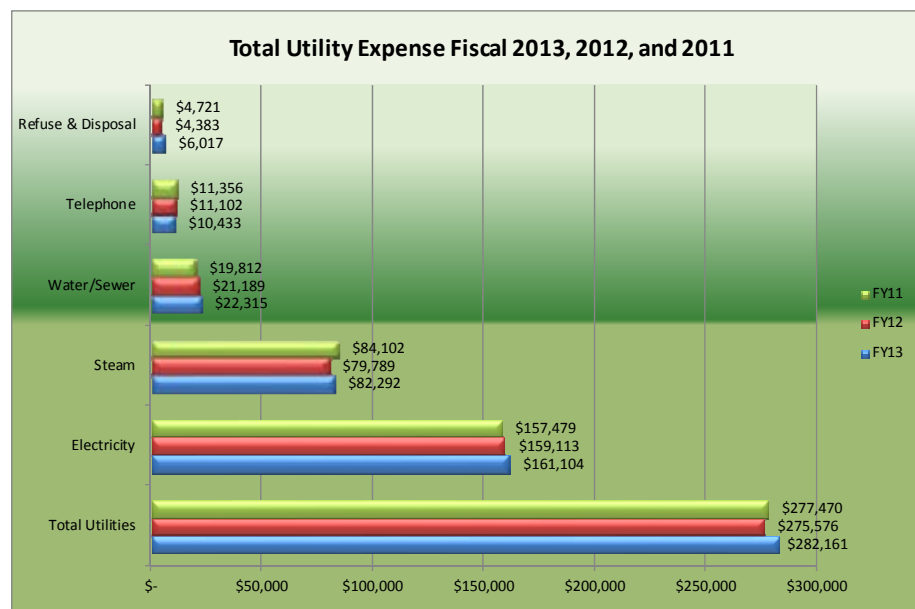
Total utility expense for fiscal 2013 was \$282,161, an increase of \$6,585 (2.4%) due to higher steam consumption and higher rates for refuse and disposal. Total utility expense for fiscal 2012 was \$275,576, a slight decrease of \$1,894 (0.7%) from fiscal 2011. This small decrease in utility expenses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

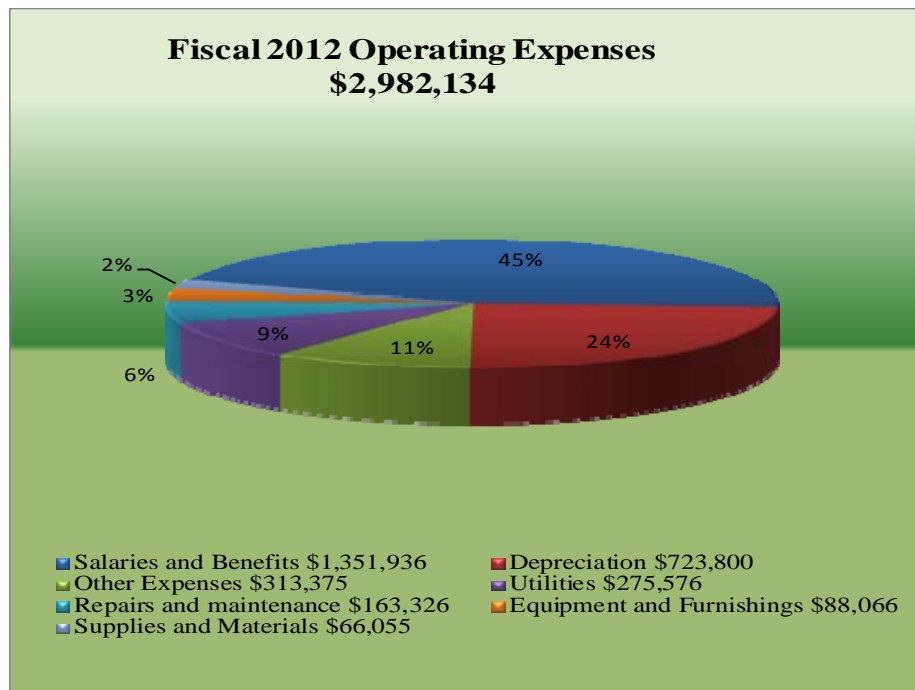
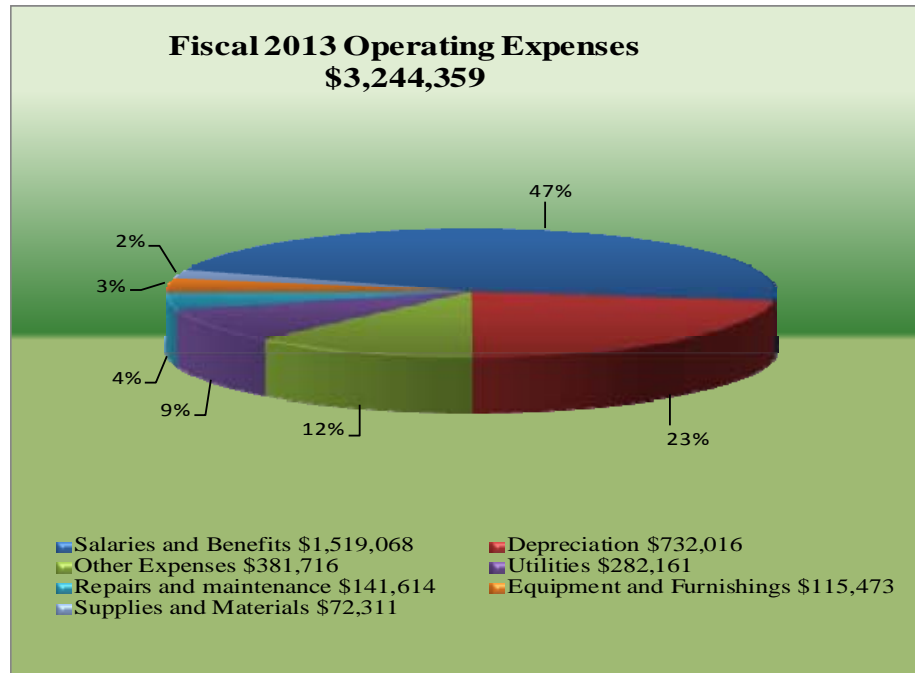
Supplies and materials expense increased slightly by \$6,256 (9.5%) to \$72,311 in fiscal 2013 from \$66,055 in fiscal 2012. Between fiscal 2012 and fiscal 2011 there was a \$25,239 (-27.6%) decrease in spending from \$91,294. Fiscal 2011 expenditures were higher with regard to facility improvements,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

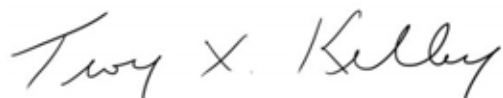
As described in Note 1, during the year ended June 30, 2013, the Recreation Center has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

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

| Assets | 2013 | 2012 |
|--|--------------------|--------------------|
| Current assets | | |
| 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> |
| Noncurrent assets | | |
| 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> |
| Deferred outflows | | |
| Deferred loss on bond refunding | <u>500,022</u> | <u>532,441</u> |
| Total deferred outflows | 500,022 | 532,441 |
| Liabilities | | |
| Current liabilities | | |
| 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> |
| Noncurrent liabilities | | |
| 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> |
| Net Position | | |
| 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> |
|--|---------------------------|---------------------------|
| Operating Revenues | | |
| 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> |
| Operating Expenses | | |
| 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 |
| Nonoperating Revenues (Expenses) | | |
| 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 |
| Net Position, Beginning of Year | <u>3,093,454</u> | <u>2,012,242</u> |
| Net Position, End of Year | <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> |
|--|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| 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> |
| Cash Flows from Noncapital Financing Activities | | |
| Pledged gift income | <u>818</u> | <u>12,020</u> |
| Net cash flows provided by(used in) noncapital financing activities | 818 | 12,020 |
| Cash Flows from Investing Activities | | |
| 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) |
| Cash Flows from Capital and Related Financing Activities | | |
| 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> |
| Reconciliation of Operating Income to Net Cash Provided to Operating Activities | | |
| 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.

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

June 30, 2013 and 2012

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:

WADE KING STUDENT RECREATION CENTER
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 |
| | 27,978,424 | 731,360 | - | 28,709,784 |
| 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 |
| | 27,956,953 | 38,318 | (16,847) | 27,978,424 |
| 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:

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

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

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

June 30, 2013 and 2012

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> |



ASSOCIATED STUDENTS BOOKSTORE

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

June 30, 2013 and 2012

Overview

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

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

Using the Financial Statements

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

The statements are prepared in accordance with Governmental Accounting Standard Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Statement of Net Position

The Statement of Net Position presents the financial condition of the Bookstore at the end of the fiscal year and reports all assets and liabilities of the Bookstore.

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

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

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

June 30, 2013 and 2012

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

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

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

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

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

ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

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

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

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The statement presents the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students.

Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

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

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

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

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

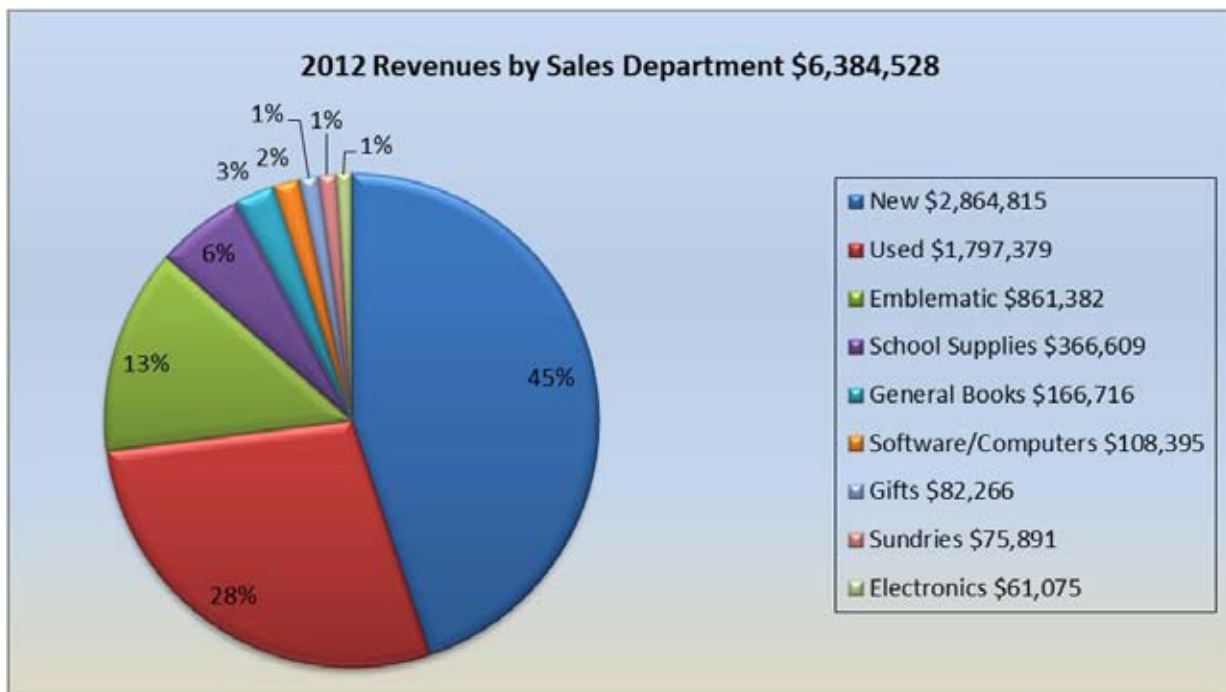
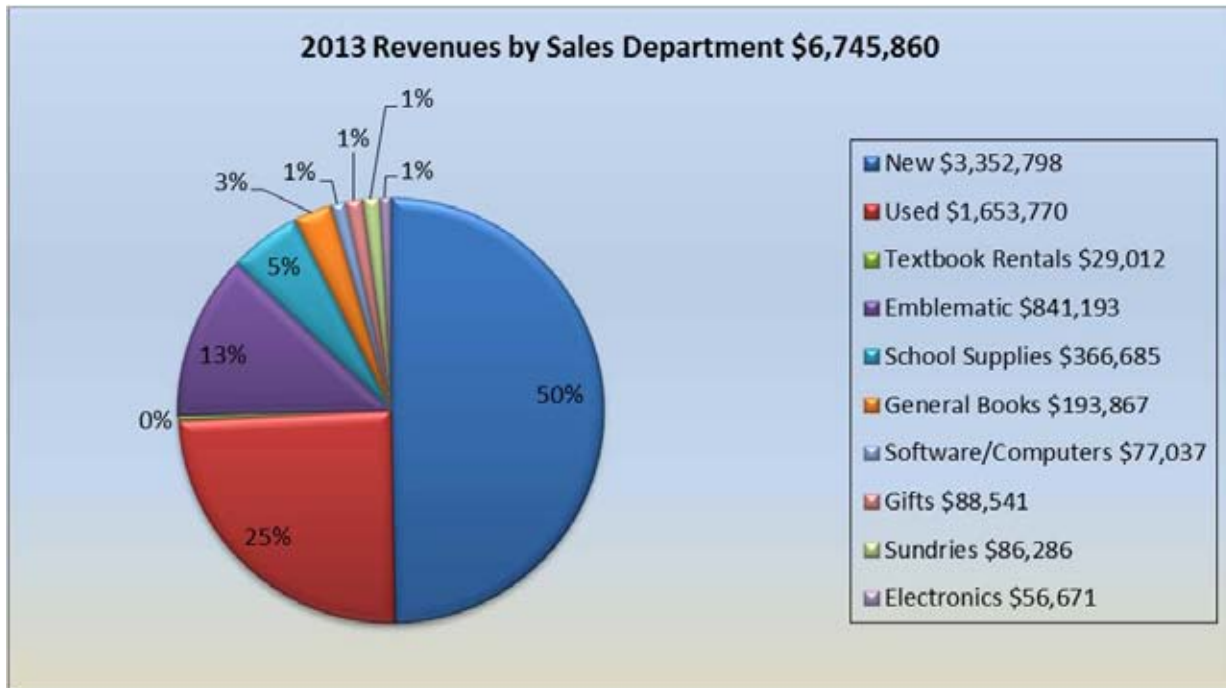
Cost of goods sold increased \$359,255 (7.4%) from fiscal 2012 and increased \$38,233 (0.8%) in fiscal 2012 from fiscal 2011. The continued growth in new textbook sales and decline in used textbook sales contributed to a higher cost of goods sold. New textbook margin percentage for fiscal 2013 was 11.0%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

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

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

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

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



Revenues by Sales Department

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

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

June 30, 2013 and 2012

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

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

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

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

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

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

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

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

ASSOCIATED STUDENTS BOOKSTORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

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

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

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

Expenses by Major Source

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

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

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

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

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

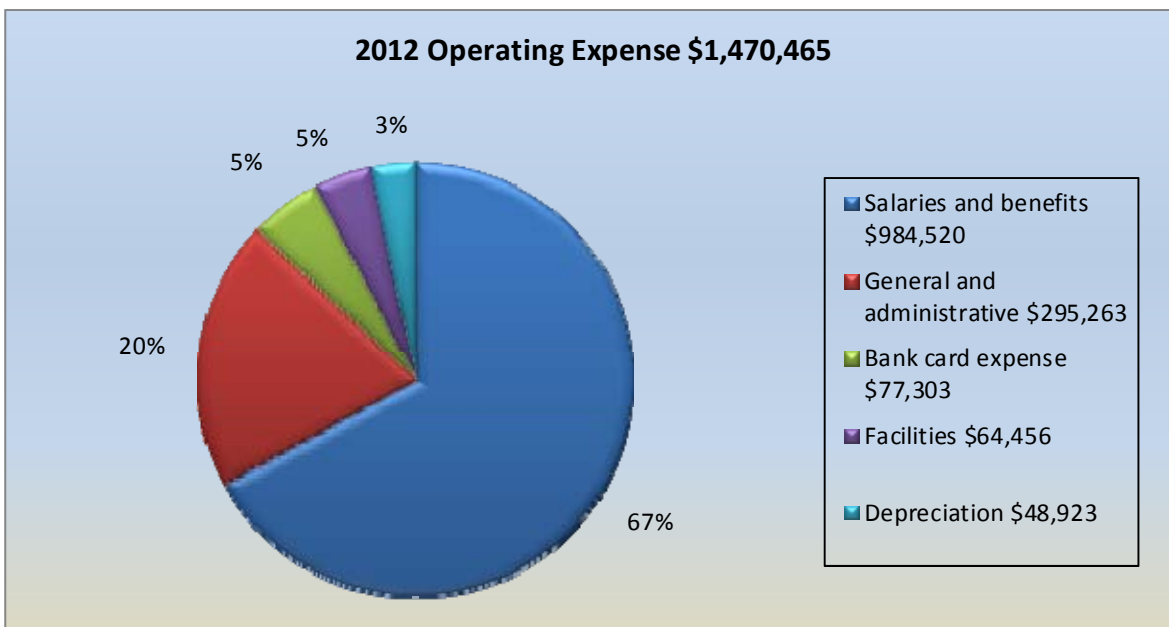
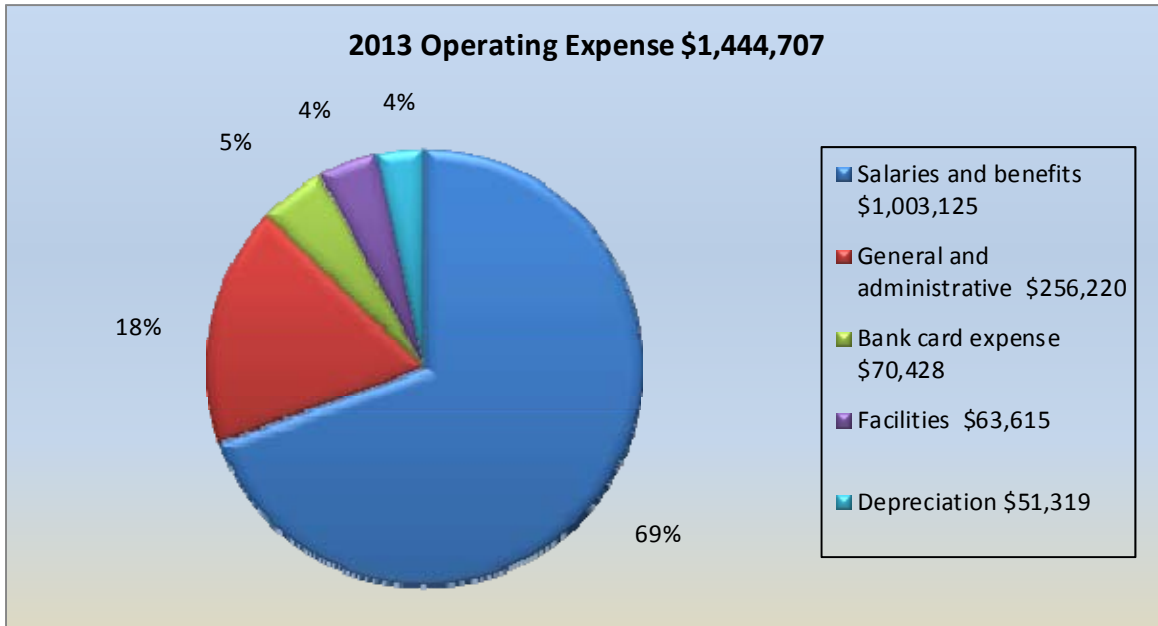
Depreciation expense increased \$2,396 (4.9%) in fiscal 2013 compared to fiscal 2012 as a result of the Bookstore's acquisition of depreciable software. Depreciation increased \$134 (0.3%) in fiscal 2012 compared with fiscal 2011 as no new depreciable assets were acquired in fiscal 2012.

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

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

June 30, 2013 and 2012

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



Economic Factors and Significant Events

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

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

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

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

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



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 15, 2013

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

REPORT ON FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

and where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2013 and 2012, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Student Bookstore, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

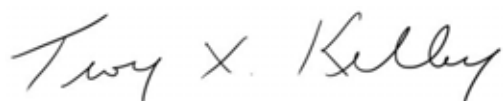
Required Supplementary Information

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

Supplementary and Other Information

The information identified in the table of contents as Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Bookstore. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF NET POSITION

June 30, 2013 and 2012

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

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

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

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

June 30, 2013 and 2012

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

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

June 30, 2013 and 2012

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self supporting, auxiliary enterprise of Western Washington University (the University). The Associated Students of WWU (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of textbooks, supplies and general merchandise.

Financial Statements Presentation

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

Basis of Accounting

The Bookstore's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$6,903 and \$682 at June 30, 2013 and 2012 respectively, is adequate. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on the University's property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

Net Position

The Bookstore's net positions are classified as follows:

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

Restricted, expendable. This category represents net position restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

Unrestricted. This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Nonoperating revenues. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income.

Operating expenses. Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

Nonoperating expenses. Nonoperating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

The University, and the Bookstore as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Assessment

The University provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

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

June 30, 2013 and 2012

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The Bookstore's operating cash is part of the University's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

The University manages its exposure to fair value losses in the internal investment pool by limiting the duration of its portfolio to a maximum of 2.25 years, with no more than 3 years for weighted average maturity.

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

NOTE 3. RECEIVABLES

Receivables at June 30, 2013 and 2012 include:

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

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

June 30, 2013 and 2012

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement was extended until June 30, 2013. There was a distribution of \$45,404 in fiscal 2013, and \$45,751 in fiscal 2012.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2013 and 2012 were \$42,060 and \$43,069 respectively.

NOTE 5. CAPITAL ASSETS, NET

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

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

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

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

NOTE 6. PENSION PLAN

Bookstore employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. The University contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service. The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution single-employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. The University matches the contributions. All required employer and employee contributions have been made.

The Bookstore contributed \$50,066, \$34,992 and \$31,111 to these plans in fiscal 2013, 2012 and 2011, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

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

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SUPPLEMENTAL INFORMATION

ASSOCIATED STUDENTS BOOKSTORE
SUPPLEMENTAL INFORMATION

June 30, 2013 and 2012

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

| Assets | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Current assets | \$2,533,957 | \$2,583,960 | \$2,238,423 | \$2,783,788 | \$2,833,736 |
| Non-current assets | 592,301 | 430,440 | 518,356 | - | 24,134 |
| Capital Assets | <u>1,327,887</u> | <u>1,365,618</u> | <u>1,414,541</u> | <u>1,463,330</u> | <u>1,515,718</u> |
| Total assets | <u>4,454,145</u> | <u>4,380,018</u> | <u>4,171,320</u> | <u>4,247,118</u> | <u>4,373,588</u> |
| | | | | | |
| Liabilities | | | | | |
| Accounts payable and accruals | 219,108 | 213,996 | 89,112 | 264,371 | 248,567 |
| Due to other WWU departments | <u>87,464</u> | <u>88,820</u> | <u>75,754</u> | <u>36,497</u> | <u>199,875</u> |
| Total liabilities | <u>306,572</u> | <u>302,816</u> | <u>164,866</u> | <u>300,868</u> | <u>448,442</u> |
| | | | | | |
| Total Net Position | <u>\$4,147,573</u> | <u>\$4,077,202</u> | <u>\$4,006,454</u> | <u>\$3,946,250</u> | <u>\$3,925,146</u> |
| | | | | | |
| Current ratio (current assets/current liabilities) | 8.27 | 8.53 | 13.58 | 9.25 | 6.32 |
| | | | | | |
| Return on assets (change in net position/total assets) | 1.6% | 1.6% | 1.4% | 0.5% | 3.6% |

**ASSOCIATED STUDENTS BOOKSTORE
SUPPLEMENTAL INFORMATION**

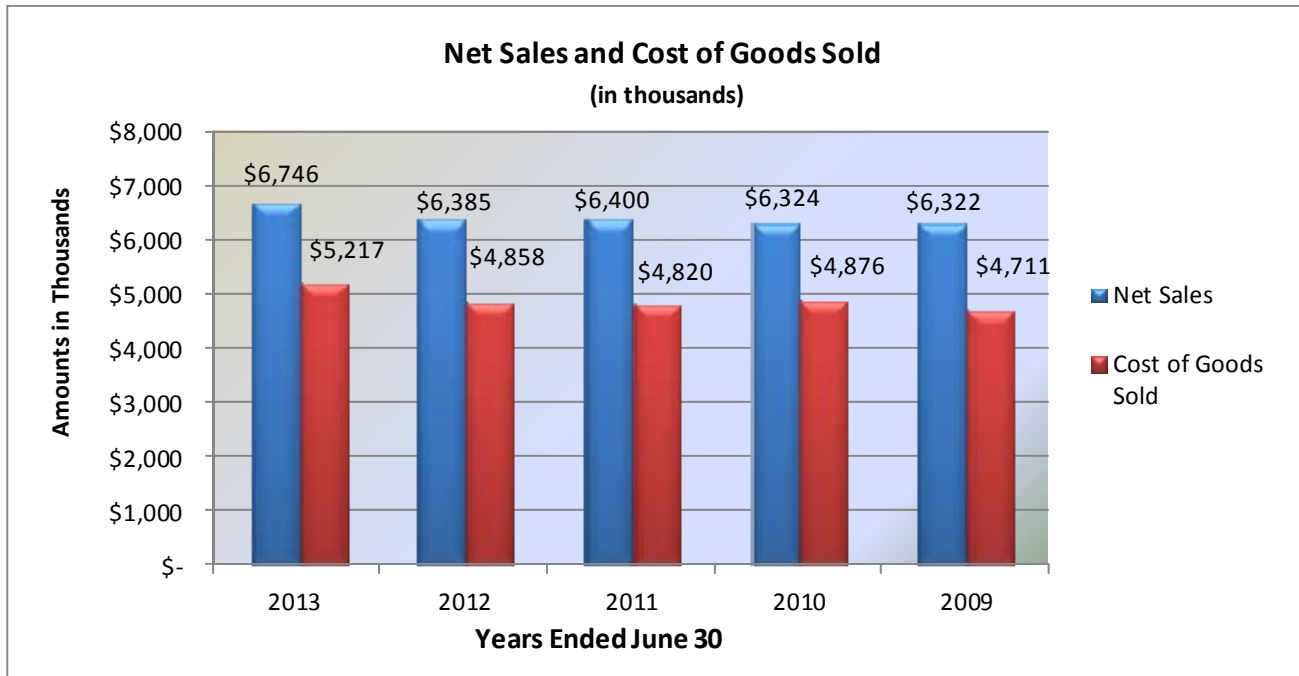
June 30, 2013 and 2012

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

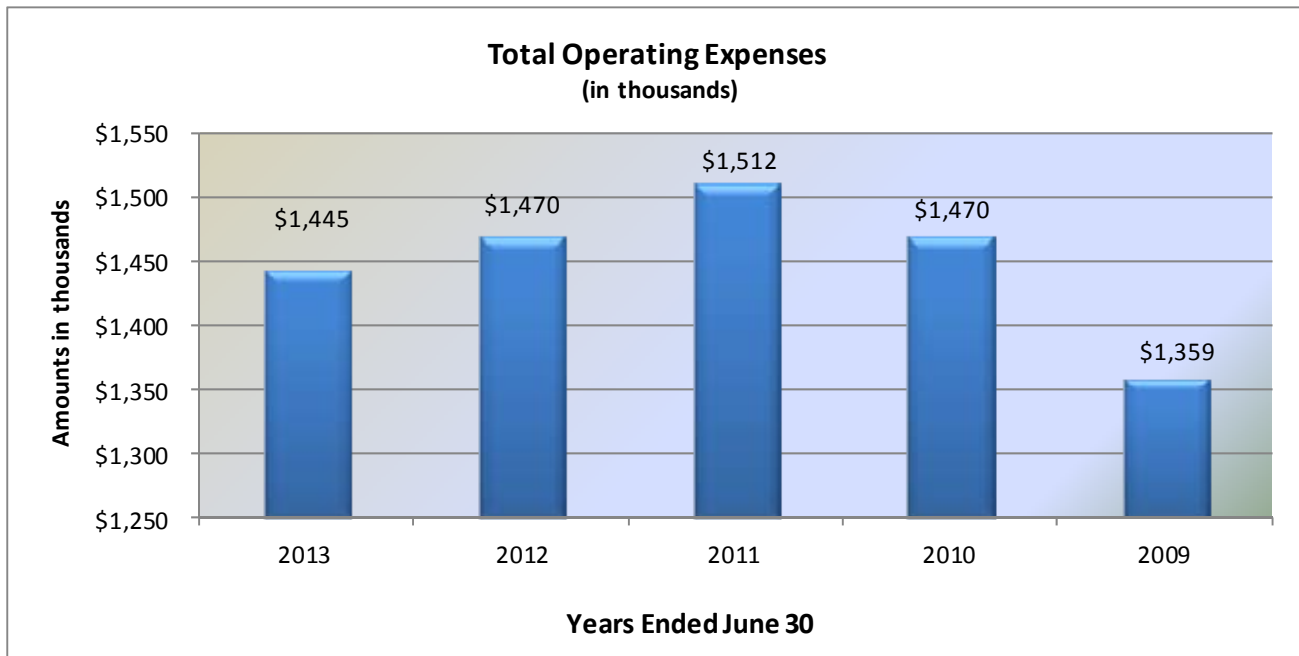
| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Net sales | \$6,745,860 | \$6,384,528 | \$6,399,545 | \$6,323,888 | \$6,321,569 |
| Cost of goods sold | 5,217,483 * | 4,858,228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

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

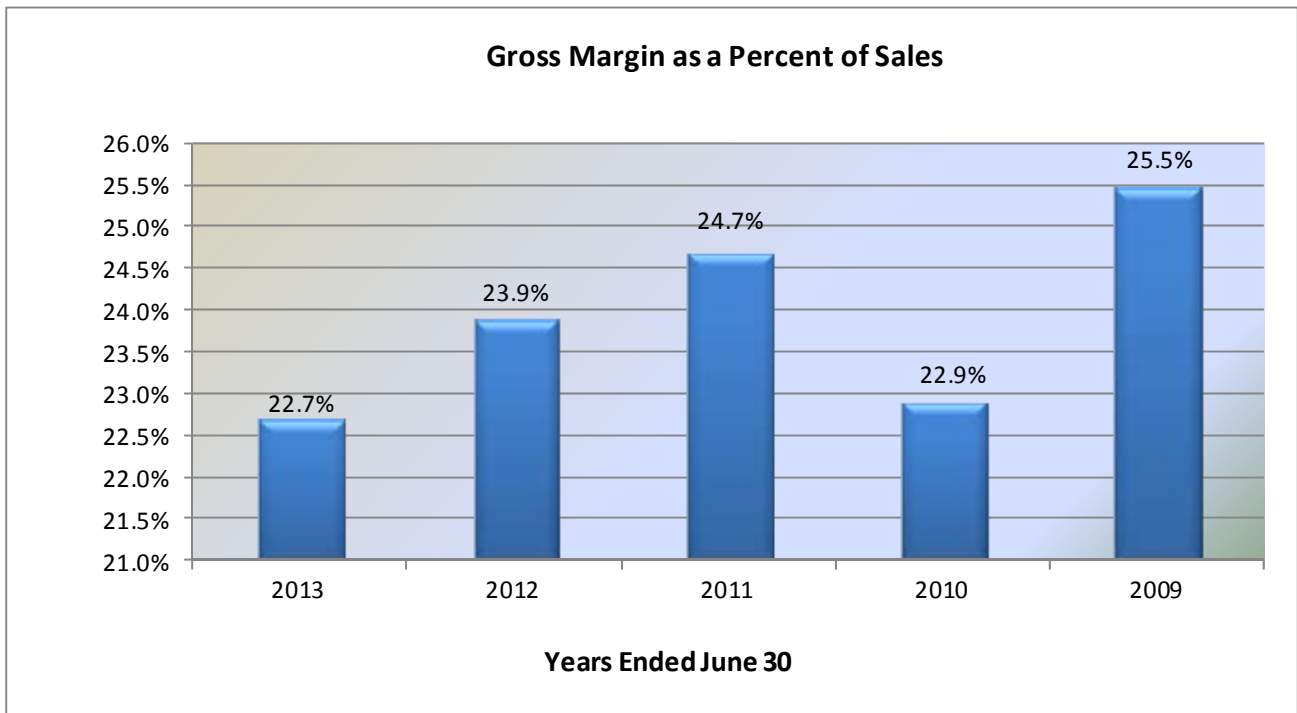
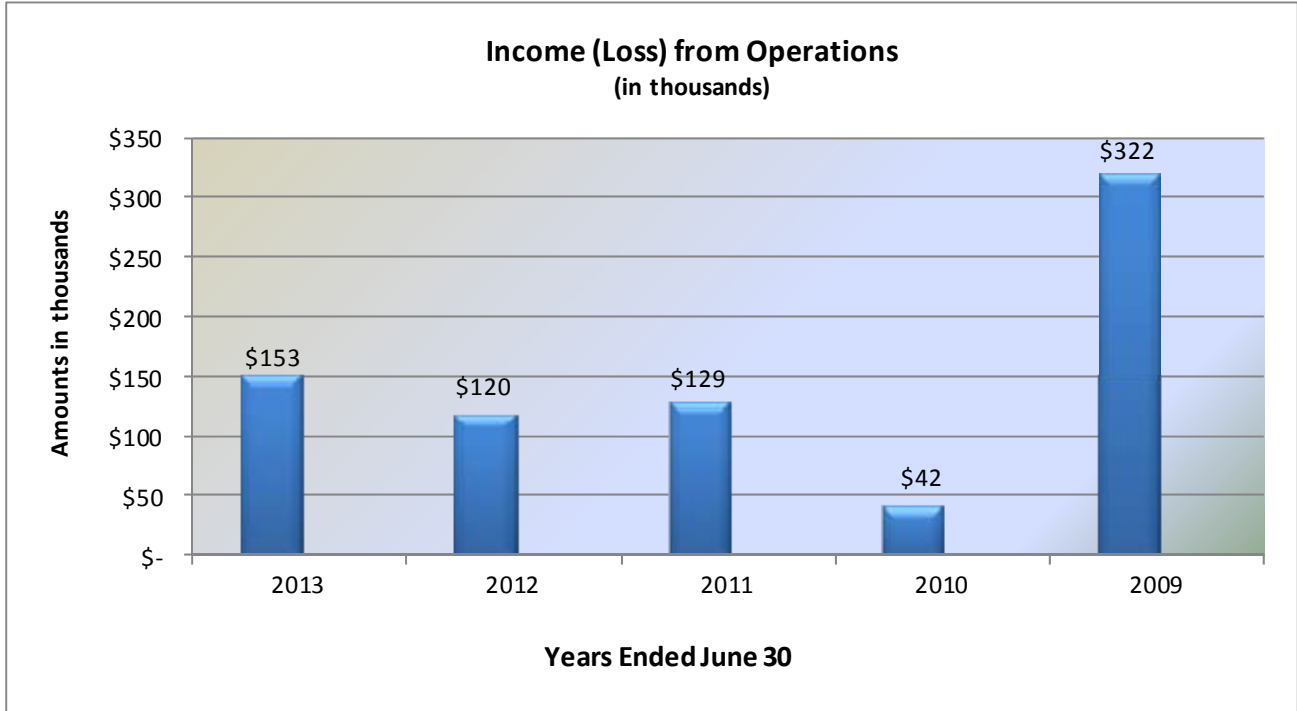
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



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



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PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

Overview

Western Washington University's Parking Services (Parking Services) is responsible for managing the parking space available on the Western Washington University campus. Operations include assigning and issuing parking permits, enforcing parking regulations, maintaining parking lots, and managing parking pay-stations and metered parking. Parking Services also manages special event parking, vendor and contractor parking and related special use parking on the university campus.

The following discussion and analysis provide an overview of the financial activities and financial position of Parking Services for the years ended June 30, 2013, 2012, and 2011. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and accompanying notes.

Using the Financial Statements

Parking Services financial report includes the Statement of Net Position, the Statement of Revenue, 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 Parking Services at the end of the fiscal year and report all assets and liabilities.

The amounts in these statements represent the assets available to continue the operations of Parking Services and identify what is 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 Parking Services. The change in net position measures whether the overall financial condition has improved or deteriorated during the fiscal year.

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

PARKING SERVICES***MANAGEMENT'S DISCUSSION AND ANALYSIS******June 30, 2013 and 2012***

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|----------------------------------|--------------------|--------------------|--------------------|
| Assets | | | |
| Current assets | \$697,689 | \$826,843 | \$779,422 |
| Noncurrent assets | 266,328 | 249,831 | 379,240 |
| Land | 3,503,223 | 3,503,223 | 3,503,223 |
| Capital assets, net | 643,948 | 713,435 | 783,268 |
| Total assets | <u>5,111,188</u> | <u>5,293,332</u> | <u>5,445,153</u> |
| Liabilities | | | |
| Current liabilities | 427,415 | 425,975 | 396,972 |
| Noncurrent liabilities | 1,935,000 | 2,070,885 | 2,212,174 |
| Total liabilities | <u>2,362,415</u> | <u>2,496,860</u> | <u>2,609,146</u> |
| Net Position | | | |
| Net investment in capital assets | 2,063,612 | 2,002,949 | 1,932,214 |
| Unrestricted | 685,161 | 793,523 | 903,793 |
| Total net position | <u>\$2,748,773</u> | <u>\$2,796,472</u> | <u>\$2,836,007</u> |

Total current assets decreased \$129,154 (-15.6%) during fiscal 2013 when compared to fiscal 2012 due to a decrease in cash and cash equivalents and investments offset by an increase in accounts receivable. The \$177,787 decrease in cash and cash equivalents (-34.6%) is a result of decreased revenues in fiscal 2013 compared to fiscal 2012. Short term investments decreased by 19.1% as a result of changing investment strategy to a larger allocation of longer duration fixed income investments. The increase in accounts receivable is due to accrued unbilled grant expenditures for Lincoln Creek Transportation Center (LCTC). Total current assets increased \$47,421 (6.1%) when comparing fiscal 2012 to fiscal 2011 primarily due to the early recording of a prepaid expense for Parking Services' T2 System maintenance agreement.

Total noncurrent assets, excluding land and capital assets, increased during fiscal 2013 by \$16,497 (6.6%) primarily due to an increase in long term investments held based on the shift to longer duration investments. Total noncurrent asset, excluding land and capital assets, decreased \$129,409 (-34.1%) in fiscal 2012 compared to fiscal 2011 primarily due to a decrease in long-term investments.

Capital assets, net decreased \$69,487 (-9.7%) during fiscal 2013 due to depreciation and amortization and no additional purchases of capital assets. Capital assets, net decreased \$69,833 (-8.9%) in fiscal 2012 due to depreciation and amortization and no additional purchases of capital assets.

Current liabilities increased \$1,440 (0.3%) during fiscal 2013 due to increase in the current portion of notes payable offset by decreases in deferred revenue and accrued salaries and benefits. Current liabilities increased \$29,003 (7.3%) during fiscal 2012 primarily due to the recording of Parking Services' system maintenance agreement offset by a decrease in deferred revenue. Noncurrent liabilities decreased \$135,885 (-6.6%) during fiscal 2013 due to principal payments made on existing long-term notes payable. Noncurrent liabilities decreased \$141,289 (-6.4%) when comparing fiscal 2012 to fiscal 2011 due to principal payments made on existing long-term notes payable.

Total net position decreased \$47,699 (-1.7%) during fiscal 2013 due to an increase in net investment in capital assets offset by a decrease in unrestricted net position. Total net position decreased \$39,535 (-1.4%) in fiscal 2012 due to an increase in net investment in capital assets offset by a decrease in unrestricted net position. Unrestricted net position decreased in both years due to the use of unrestricted reserves for operations.

PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

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 statements present Parking Services results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating and non-operating. Also in accordance with GASB Statement 34, fines revenues are recognized when collected.

In general, operating revenues are those received for providing goods and services to the customers of Parking Services, primarily permit sales to staff, faculty and students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating.

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:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|---------------------------|---------------------------|---------------------------|
| Operating revenues | \$1,603,727 | \$1,657,788 | \$1,679,519 |
| Operating expenses | <u>(1,690,591)</u> | <u>(1,668,440)</u> | <u>(1,565,876)</u> |
| Operating income | (86,864) | (10,652) | 113,643 |
| Nonoperating (expenses) revenues | <u>(83,632)</u> | <u>(65,268)</u> | <u>(70,717)</u> |
| Income from operating and non-operating activities | (170,496) | (75,920) | 42,926 |
| Capital grant revenue | <u>122,797</u> | <u>36,385</u> | <u>-</u> |
| Increase in net position | (47,699) | (39,535) | 42,926 |
| Net position, beginning of year | <u>2,796,472</u> | <u>2,836,007</u> | <u>2,793,081</u> |
| Net position, end of year | <u><u>\$2,748,773</u></u> | <u><u>\$2,796,472</u></u> | <u><u>\$2,836,007</u></u> |

Revenues

Parking permit revenue comprises the largest source of revenue for Parking Services. Permits are required for all parties parking on campus property. Permit revenue decreased \$9,486 (-0.9%) when comparing fiscal 2013 to fiscal 2012 due to a decrease in visitor permit sales. The ability to purchase permits from pay stations has shifted some Parking permit revenue over to Parking meters and pay box stations. Permit revenues decreased \$16,789 (-1.5%) when comparing fiscal 2012 to fiscal 2011 due to selling less full time quarterly permits and event permits.

Parking meter and pay box revenues increased \$9,171 (4.4%) when comparing fiscal 2013 to fiscal 2012 due to the increased use of self-serve pay stations. Visitors or potential students may select to use a pay station rather than purchasing a permit. Parking meter and pay box revenues increased \$16,899 (8.8%) when comparing fiscal 2012 to fiscal 2011 due to the implementation of self-service pay stations.

Parking fines revenue decreased \$47,345 (-15.1 %) when comparing fiscal 2013 to fiscal 2012 due to a new security measures that was mandated by the Department of Licensing for our electronic records causing a delay in billing. Parking fines revenue increased \$19,591 (6.6%) when comparing fiscal 2012 to fiscal 2011 due to a

PARKING SERVICES

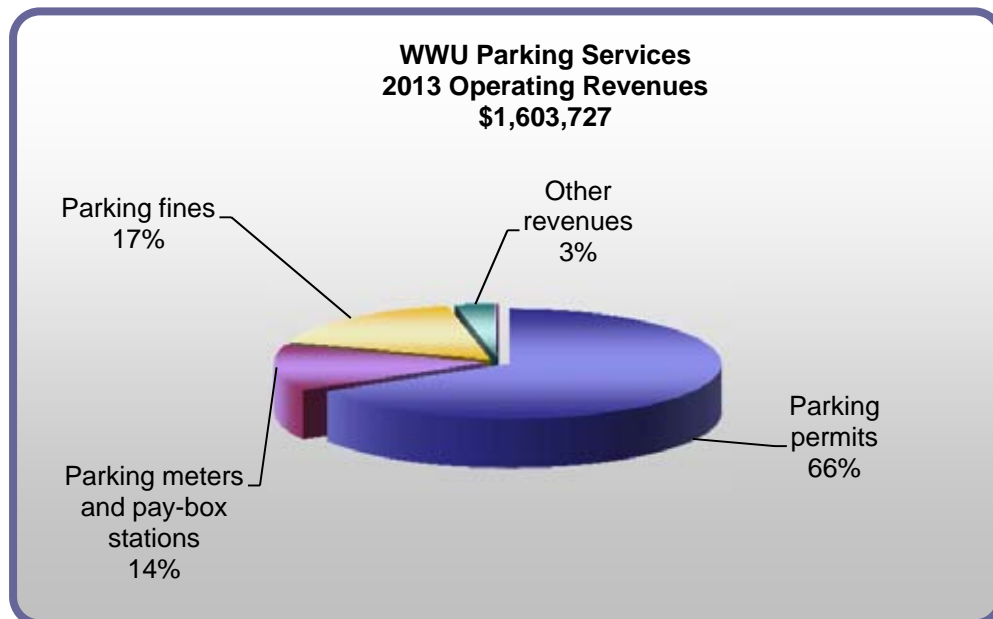
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

change in which first time offenders were offered a reduction of the fine if paid up front. This allowed Parking Services to recognize the fine revenue more timely.

Other revenues decreased \$6,409 (-11.6%) when comparing fiscal 2013 to fiscal 2012, as fiscal 2012 includes two months in funding received for the Miller Hall project. Funding was provided and recorded as revenue to cover the expenses for the Gate House attendant and other related expenses for the Miller Hall renovation, which was completed in August 2011. Other revenues decreased \$37,712 (-40.6%) when comparing fiscal 2012 to fiscal 2011 due to the conclusion of the Miller Hall project and related funding..

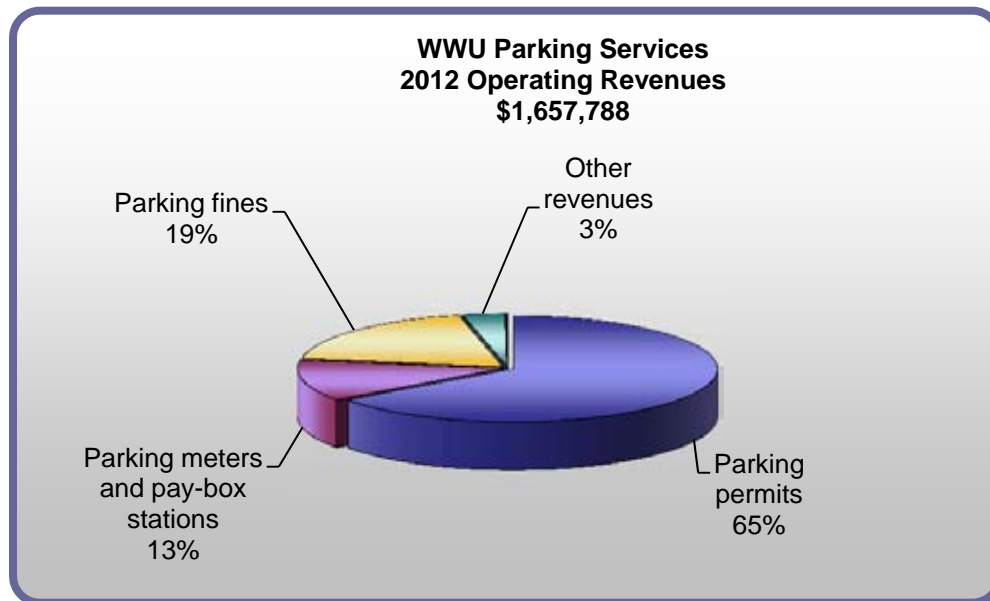
Capital grant revenue increased \$86,412 in fiscal 2013 due to spending the remaining amount of the Federal Transit Administration (FTA) grant that was awarded to renovate the Lincoln Creek Transportation Center (LCTC). During fiscal 2013 lighting and security were added to the parking lot. Capital grant revenue increased \$36,385 (100.0%) in fiscal 2012 from fiscal 2011 due the extension of the Federal Transit Administration (FTA) grant. During fiscal 2012, Parking Services design work was performed for the continued restoration of LCTC.



PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012



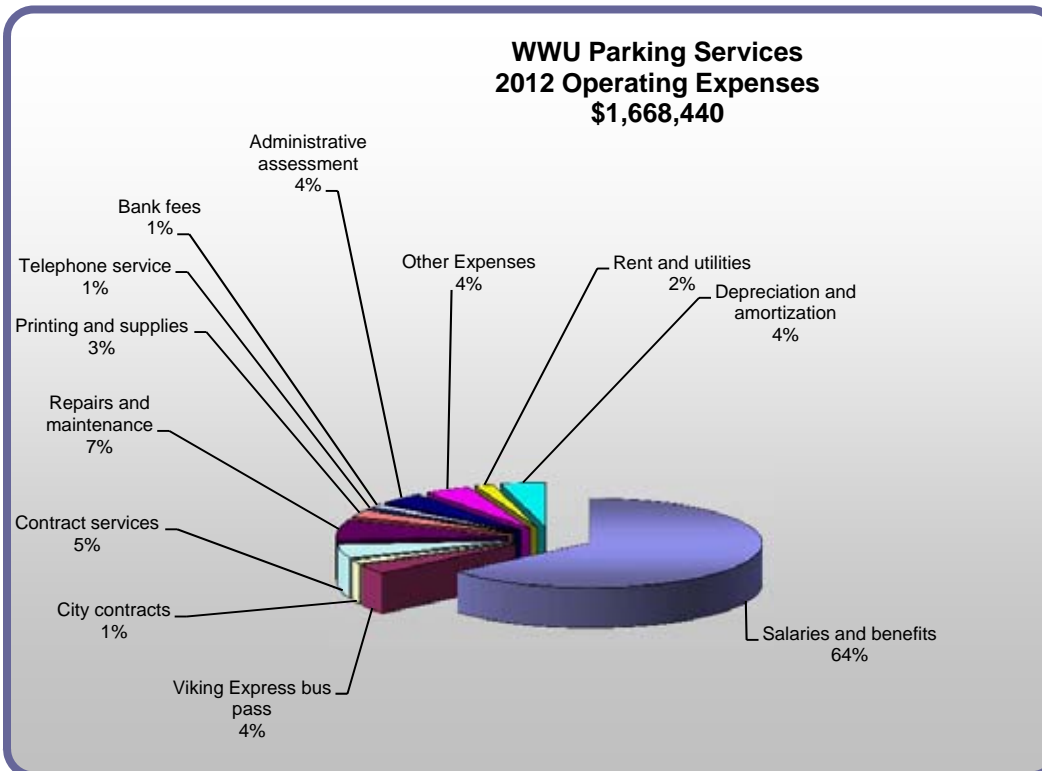
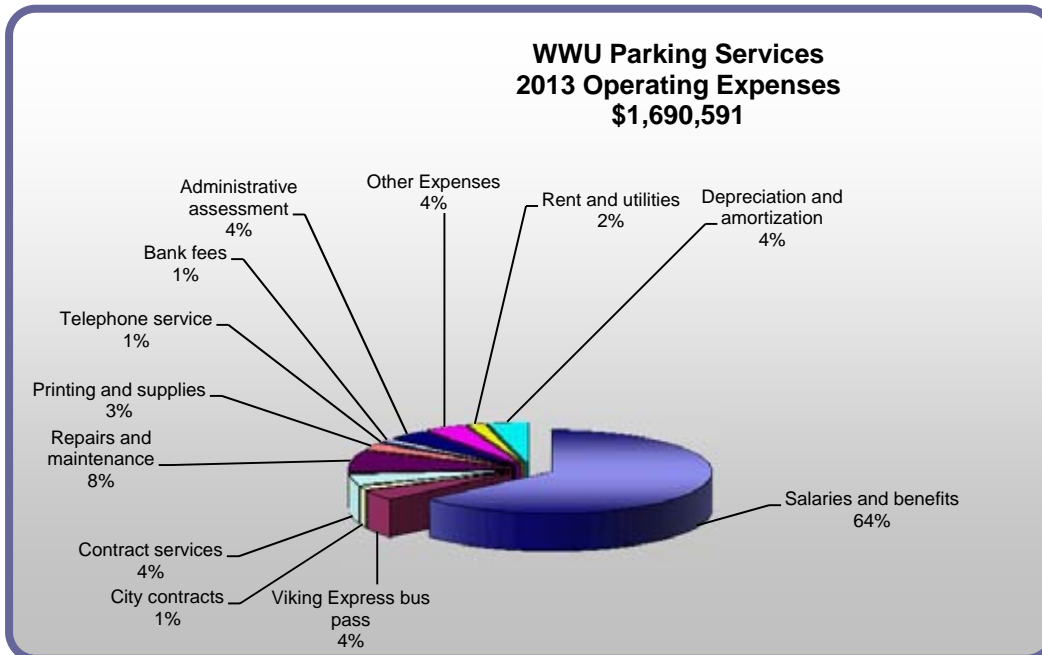
Expenses

Salaries and benefits increased \$11,313 (1.1%) when comparing fiscal 2013 to fiscal 2012 due to funding a temporary position for the Alternative Transportation program and funding 20% of the Assistant Director of Public Safety. Salaries and benefits decreased \$56,349 (-5.0%) when comparing fiscal 2012 to fiscal 2011 due primarily to the elimination of the project position hired for the Miller Hall project renovation. This position ended in August 2011.

Contract services expense decreased \$9,828 (-11.8%) when comparing fiscal 2013 to fiscal 2012 due to a decrease in contracted services (pay station warranty fee for one year rather than a year and a half). Contract services expense increased \$18,514 (28.6%) when comparing fiscal 2012 to fiscal 2011 due to an increase in the maintenance agreement of Parking Service's T2 System and Pay Station technical support.

The administrative assessment fee, which is calculated based on revenues, decreased \$3,165 (-4.5%) when comparing fiscal 2013 to fiscal 2012 due to the decrease of overall revenue totaling \$54,061. The administrative assessment fee expense increased \$10,271 (17.0%) when comparing fiscal 2012 to fiscal 2011 due to an increase in the assessment rate.

Repairs increased \$14,692 (12%) in 2013 over 2012 due to parking lot maintenance. Repairs increased substantially \$104,660 (593.8 %) during fiscal 2012 when compared to fiscal 2011 due to the completion of the Parking Lot 12A project that was required to address surface water issues.



PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

Economic Factors and Significant Events

Parking Services has started a year over year maintenance project plan to address the poor condition of the lots, which will increase repairs and maintenance expense.

Parking Services and Public Safety (part of WWU) are in the process of reorganizing shared administration and operational activities. With the reorganization, we anticipate changes in staff reporting and new alignments of staff efforts in fiscal 2014.

Parking Services is anticipating an increase in citation revenue as scheduled billings resume and fees for several citations increase. The citation fee increases include: Improper Permit Display from \$10 to \$15, Motorcycle/No Valid Permit from \$5 to \$10, and No Valid Permit, OT at Load Zone, OT at meter, OT of OB/vendor/all lots, and Unauthorized Permit Transfer from \$25 to \$30.

Online citation payment, permit applications and visitor permit sales are scheduled to begin January 1st, 2014. The online project cost is anticipated to increase contract services expense substantially in 2014.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 15, 2013

Board of Trustees
Western Washington University Parking Services
Bellingham, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Parking Services (Parking Services), 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 Parking Services' 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 Parking Services' 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 Parking Services' 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 Parking Services 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 Parking Services. 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

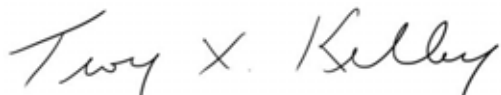
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Parking Services, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

PARKING SERVICES
STATEMENT OF NET POSITION

June 30, 2013 and 2012

| Assets | 2013 | 2012 |
|---|--------------------|--------------------|
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$335,724 | \$513,511 |
| Investments (Note 2) | 200,507 | 247,908 |
| Accounts receivable | 118,699 | 18,836 |
| Prepaid expenses | 42,759 | 46,588 |
| Total current assets | <u>697,689</u> | <u>826,843</u> |
| Noncurrent assets | | |
| Investments (Note 2) | 266,328 | 236,245 |
| Land (Note 5) | 3,503,223 | 3,503,223 |
| Capital assets, net (Note 5) | 643,948 | 713,435 |
| Other assets | - | 13,586 |
| Total noncurrent assets | <u>4,413,499</u> | <u>4,466,489</u> |
| Total assets | <u>5,111,188</u> | <u>5,293,332</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 66,365 | 66,875 |
| Accrued salaries and benefits | 112,571 | 113,620 |
| Current portion of notes payable (Note 4) | 148,559 | 142,824 |
| Unearned revenue | 99,920 | 102,656 |
| Total current liabilities | <u>427,415</u> | <u>425,975</u> |
| Noncurrent liabilities | | |
| Note payable, less current portion (Note 4) | <u>1,935,000</u> | <u>2,070,885</u> |
| Total liabilities | <u>2,362,415</u> | <u>2,496,860</u> |
| Net Position | | |
| Net investment in capital assets | 2,063,612 | 2,002,949 |
| Unrestricted | 685,161 | 793,523 |
| Total net position | <u>\$2,748,773</u> | <u>\$2,796,472</u> |

PARKING SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2013 and 2012

| | 2013 | 2012 |
|--|-------------------------|---------------------------|
| Operating Revenues | | |
| Parking permits | \$1,067,280 | \$1,076,766 |
| Parking meters and pay box stations | 217,868 | 208,697 |
| Parking fines | 267,194 | 314,539 |
| Other revenues | 48,793 | 55,202 |
| Services funded by WWU | 2,592 | 2,584 |
| Total operating revenues | <u>1,603,727</u> | <u>1,657,788</u> |
| Operating Expenses | | |
| Salaries and benefits | 1,078,490 | 1,067,177 |
| Viking Express bus pass | 68,762 | 56,275 |
| City contracts | 23,965 | 22,875 |
| Contract services | 73,496 | 83,324 |
| Repairs and maintenance | 136,976 | 122,284 |
| Printing and supplies | 44,157 | 43,727 |
| Telephone service | 9,992 | 9,949 |
| Bank fees | 20,623 | 22,012 |
| Administrative assessment | 67,491 | 70,656 |
| Other expenses | 68,321 | 71,901 |
| Rent and utilities | 28,831 | 28,427 |
| Depreciation and amortization | 69,487 | 69,833 |
| Total operating expenses | <u>1,690,591</u> | <u>1,668,440</u> |
| Operating income | (86,864) | (10,652) |
| Nonoperating Revenues (Expenses) | | |
| Contribution for building rent and utilities | 28,831 | 28,427 |
| Interest income | 3,135 | 3,809 |
| Interest on indebtedness | (89,339) | (94,261) |
| Amortization of bond issuance costs | (26,259) | (3,243) |
| Total nonoperating (expenses) revenues | <u>(83,632)</u> | <u>(65,268)</u> |
| Income before capital grant revenue | (170,496) | (75,920) |
| Capital Grant Revenue | <u>122,797</u> | <u>36,385</u> |
| Decrease in Net Position | (47,699) | (39,535) |
| Total Net Position, Beginning of Year | <u>\$2,796,472</u> | <u>2,836,007</u> |
| Total Net Position, End of Year | <u><u>2,748,773</u></u> | <u><u>\$2,796,472</u></u> |

See Accompanying Notes to the Financial Statements

PARKING SERVICES
STATEMENT OF CASH FLOWS

June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|--------------------------|-------------------------|
| Cash flows from operating activities | | |
| Cash received from students, employees and visitors | \$1,498,536 | \$1,627,812 |
| Cash received from the university | 2,592 | 2,584 |
| Cash paid to employees | (1,079,538) | (1,069,309) |
| Cash paid to suppliers | (510,464) | (504,721) |
| Net cash provided by operating activities | <u>(88,874)</u> | <u>56,366</u> |
| Cash flows from investing activities | | |
| Interest income received | 3,135 | 3,809 |
| Net sales of investments in internal pool | 17,318 | 118,739 |
| Net cash provided by investing activities | <u>20,453</u> | <u>122,548</u> |
| Cash flows from capital and related financing activities | | |
| Cash received from grant revenue | 122,797 | 36,385 |
| Payments on note payable | (142,824) | (142,167) |
| Purchase of capital assets | - | - |
| Interest paid on indebtedness | (89,339) | (94,261) |
| Net cash provided by (used in) capital and related financing activities | <u>(109,366)</u> | <u>(200,043)</u> |
| Net decrease in cash and cash equivalents | (177,787) | (21,129) |
| Cash and cash equivalents, beginning of year | <u>513,511</u> | <u>534,640</u> |
| Cash and cash equivalents, end of year | <u><u>\$335,724</u></u> | <u><u>\$513,511</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | (\$86,864) | (\$10,652) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Loss on disposal of fixed asset | - | - |
| Depreciation and amortization | 69,487 | 69,833 |
| Contributed building rent and utilities | 28,831 | 28,427 |
| Net changes in assets and liabilities | | |
| Receivables | (99,863) | (18,561) |
| Prepaid | 3,829 | (40,963) |
| Accounts payable and accrued liabilities | (510) | 39,245 |
| Accrued salaries and benefits | (1,049) | (2,132) |
| Deferred revenue | (2,736) | (8,831) |
| Net cash provided by operating activities | <u><u>(\$88,875)</u></u> | <u><u>\$56,366</u></u> |

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Parking Services (Parking Services), a division of Business and Financial Affairs, is a self-supporting, auxiliary enterprise of Western Washington University (the University) and is responsible for the oversight and operation of the parking facilities and public transportation services of the University.

Parking Services facilitates access to the University for over 15,000 students, faculty, staff, vendors and guests. To supplement approximately 3,400 campus parking spaces, the transportation program provides assistance, education and incentives for walking, transit use, bicycling and carpooling.

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 Parking Services. The financial statements present only a selected portion of the activities of the University. They are not intended to and do not present either the financial position, results of operations, or changes in net position of the University.

Basis of Accounting

The financial statements of Parking Services have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Accounts receivable are unsecured, recorded at the net balance, and are due from the Federal Transit Authority for unbilled grant expenditures. Outstanding receivables at June 30, 2013 and 2012 resulted from renovation work performed on the Lincoln Creek Transportation Center (LCTC).

Capital Assets, net

Land, vehicles, pay box stations, and improvements other than buildings and equipment are stated at cost. Parking Services capitalizes items with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated on the straight-line basis over the estimated lives of the assets, five to seven years for vehicles, pay box stations, and equipment.

Other Assets

Beginning 2013 with the adoption of GASB 65, Certificate of Participation (state financing agreements) issuance costs were expensed and are no longer shown as other assets on the Statement of Net Position. During fiscal 2012, COP costs were recorded as Other Assets.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

Unearned Revenue and Revenue Recognition

Deferred revenues are parking permit sales collected in advance that relate to subsequent accounting periods.

Parking permit revenues are recognized during the period to which the permits relate. Grant revenues are recognized when the related expenditures are incurred. Citation and pay-box revenues are recognized when earned. Fines revenues are recognized when collected.

Net Position

Parking Services' net position is classified as follows:

Net investment in capital assets. This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Unrestricted. This represents resources derived from operations and investing activities.

Classification of Revenue, Expenses and Transfers

Operating revenue includes activities that have the characteristics of exchange transactions, such as the sale of parking permits, parking meter, pay box and fine revenue. Operating expenses are those costs incurred in daily operations, such as salaries, repairs and depreciation.

Nonoperating revenue includes items that do not have the characteristics of exchange transactions, such as contributed income and interest income. Nonoperating expenses include costs related to financing or investing activities, such as interest on indebtedness.

Administrative Assessment

The University provides support to Parking Services through cash management, accounting, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included in these financial statements. The amounts incurred were \$67,491 and \$70,656 for fiscal years ended June 30, 2013 and 2012, respectively.

Tax Exemption

The University, and Parking Services as an auxiliary enterprise, is an 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 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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

Parking Services' operating cash is part of the University's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

The University manages its exposure to fair value losses in the internal investment pool by limiting the duration of its portfolio to a maximum of 2.25 years, with no more than 3 years for weighted average maturity.

| | 2013 | Weighted Average Maturity (in years) | 2012 | Weighted Average Maturity (in years) |
|---------------------------|------------------|---|-------------------|---|
| Cash and cash equivalents | \$335,724 | n/a | \$ 513,511 | n/a |
| Investments | | | | |
| Certificates of deposit | 50,594 | 0.899 | 71,413 | 0.028 |
| U.S. Agencies | <u>416,241</u> | 2.477 | <u>412,740</u> | 0.680 |
| | <u>\$802,559</u> | | <u>\$ 997,664</u> | |

NOTE 3. LINCOLN CREEK TRANSPORTATION CENTER (LCTC)

The LCTC project is a key component to an overall transportation management plan of providing access to the University and local region while supporting transit services and traffic mitigation. The LCTC encourages alternative modes of transportation, including carpooling and bicycling, and provides incentives to reduce use of single occupancy vehicles. The site is located approximately 2 miles east of the main campus.

Phase I of the project is complete and design plans are finished for installation of storm water retention vaults, which must be in place before any additional permits will be authorized by the City of Bellingham. Most of the project was funded with Federal Transit Administration (FTA) funds, with the University providing funding for the land acquisition (See Note 4). In fiscal 2009, the majority of grant funds were incurred for architectural and engineering design. In fiscal 2013, \$122,797 was spent on LCTC for lighting and security, compared to expenditures of \$36,385 during fiscal 2012 and \$0 during fiscal 2011.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

The University will use the remaining grant funds to complete Phase 2 and 3 of the project, which includes construction of two underground concrete storm water retention vaults, drainage catch basins and piping, final grading of the site from Consolidation Street north to the edge of the Lincoln Creek restoration area, parking lot paving for 524 cars, striping, signage, a central passenger concourse with bus shelters and public information kiosks, lighting improvements, data lines and security phones, bicycle storage and related amenities. Associated off-site improvements include widening of the Lincoln Street frontage road to include a two-way left turn lane between Byron Avenue and Maple Street.

NOTE 4. NOTES PAYABLE

Parking Services financed the purchases of the Lincoln Creek property and parking pay box stations through the issuance of Certificates of Participation by the Washington State Treasurer at an interest rate of 4.42% and 1.9% payable over 20 years and 4 years. The program offers lease financing to state agencies to purchase capital assets and property. The University will own the property and equipment outright after all payments have been made. The long-term debt has a carrying value of \$2,083,559 at June 30, 2013.

Following are the changes in noncurrent long-term liabilities for the year ended June 30, 2013 and 2012:

| <u>Notes Payable</u> | <u>Balance June 30, 2012</u> | <u>Additions</u> | <u>Payments</u> | <u>Amortization of Discount</u> | <u>Balance June 30, 2013</u> | <u>Current Portion</u> |
|-------------------------------|----------------------------------|------------------|-----------------|-------------------------------------|----------------------------------|----------------------------|
| Certificates of Participation | \$2,213,709 | - | (142,824) | 12,674 | \$2,083,559 | \$148,559 |

| <u>Notes Payable</u> | <u>Balance June 30, 2011</u> | <u>Additions</u> | <u>Payments</u> | <u>Amortization of Discount</u> | <u>Balance June 30, 2012</u> | <u>Current Portion</u> |
|-------------------------------|----------------------------------|------------------|-----------------|-------------------------------------|----------------------------------|----------------------------|
| Certificates of Participation | \$2,354,277 | - | (142,103) | 1,535 | \$2,213,709 | \$142,824 |

Parking Services debt service requirements for this agreement for the next five years and thereafter are as follows:

PARKING SERVICES***NOTES TO THE FINANCIAL STATEMENTS******June 30, 2013 and 2012***

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|-------------------------|-----------------------|
| 2014 | 148,559 | 84,715 |
| 2015 | 115,000 | 79,655 |
| 2016 | 120,000 | 74,955 |
| 2017 | 125,000 | 70,055 |
| 2018 | 130,000 | 64,955 |
| 2019-2023 | 735,000 | 238,208 |
| 2024-2028 | <u>710,000</u> | <u>65,269</u> |
| Total | <u>2,083,559</u> | <u>677,812</u> |

NOTE 5. LAND AND CAPITAL ASSETS, NET

The depreciation and amortization expense for the fiscal years ended June 30, 2013 and 2012 was \$69,487 and \$69,833, respectively.

Following are the changes in capital assets for the year ended June 30, 2013:

| | <u>June 30, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2013</u> |
|-------------------------------------|----------------------|-------------------|--------------------|------------------|----------------------|
| Land | \$3,503,223 | \$ - | \$ - | \$ - | <u>\$3,503,223</u> |
| Capital Assets | | | | | |
| Pay-box stations | 148,650 | - | - | - | 148,650 |
| Vehicles and equipment | 177,923 | - | - | - | 177,923 |
| Improvements other than building | 1,019,303 | - | - | - | 1,019,303 |
| Construction in progress | - | - | - | - | - |
| Total capital assets | <u>1,345,876</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,345,876</u> |
| Accumulated depreciation | (282,266) | (69,487) | - | - | (351,753) |
| Accumulated amortization | <u>(350,175)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(350,175)</u> |
| Total depreciation and amortization | <u>(632,441)</u> | <u>(69,487)</u> | <u>-</u> | <u>-</u> | <u>(701,928)</u> |
| Capital assets, net | <u>\$713,435</u> | <u>(\$69,487)</u> | <u>\$ -</u> | <u>-</u> | <u>\$643,948</u> |

Following are the changes in capital assets for the year ended June 30, 2012:

PARKING SERVICES**NOTES TO THE FINANCIAL STATEMENTS***June 30, 2013 and 2012*

| | June 30, 2011 | Additions | Retirements | Transfers | June 30, 2012 |
|-------------------------------------|---------------|------------|-------------|-----------|---------------|
| Land | \$3,503,223 | \$ - | \$ - | \$ - | \$3,503,223 |
| Capital Assets | | | | | |
| Pay-box stations | 148,650 | - | - | - | 148,650 |
| Vehicles and equipment | 187,412 | | (9,489) | - | 177,923 |
| Improvements other than building | 1,019,303 | - | - | - | 1,019,303 |
| Construction in progress | - | - | - | - | - |
| Total capital assets | 1,355,365 | 0 | (9,489) | - | 1,345,876 |
| Accumulated depreciation | (221,922) | (69,833) | 9,489 | - | (282,266) |
| Accumulated amortization | (350,175) | - | - | - | (350,175) |
| Total depreciation and amortization | (572,097) | (69,833) | 9,489 | - | (632,441) |
| Capital assets, net | \$783,268 | (\$69,833) | \$ - | \$ - | \$713,435 |

NOTE 6. PENSION PLAN

Parking employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. The University contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

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

The Washington State Legislature establishes or amends benefit provision for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available for the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution single-employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The University makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

Employee contribution rates, which are based on age, range from 5% to 10% of salary. The University matches the contributions. All required employer and employee contributions have been made.

Parking Services contributed approximately \$49,876.85, \$49,593 and \$39,264 to these plans in fiscal 2013, 2012 and 2011, respectively. An actuarial valuation of the plans for Parking Services as a standalone entity is not available.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by:
Senior Vice President Eileen Coughlin, Enrollment and Student Services /
Vice President Richard Van Den Hul, Business and Financial Affairs

DATE: December 13, 2013

SUBJECT: **Student Right-to-Know and Clery Act**

PURPOSE: Information Item

Purpose of Submittal:

Provide the Board of Trustees with information regarding Western Washington University's compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

**Western Washington University
Security and Fire Safety Report Update**

December 2013

Background: In November 1990, the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (referred to as the "Clery Act") was signed into law. As a result, all institutions participating in federal student aid programs are required to:

- Prepare and distribute an annual security and fire safety report to all members of the campus community (<http://www.wvu.edu/vpsa/asr.shtml>) which sets forth the law enforcement authority of campus police, includes information on where and how crimes should be reported, and discloses three years' worth of crime trends including alcohol and drug-related statistics, arrests and disciplinary referrals for the campus, areas immediately adjacent to or running through the campus, and certain non-campus facilities including leased housing and remote classrooms; and
- Provide timely warning to the campus community of crimes which may pose a threat to the safety and/or welfare of students and employees.

In 2012, the Western Alert System, through which timely warnings are conveyed, was utilized on seven occasions to send messages to the campus community regarding safety concerns and four times to issue inclement weather warnings. The system is also tested during fall and spring quarters, when the majority of students are on campus.

Security and Fire Safety Report: All information that Western is required to distribute annually to the campus community under state and/or federal mandates is compiled into one publication, the [Security and Fire Safety Report](#). Published each fall, the report includes educational materials, key policies and procedures, resources for students and employees, and an annual summary of campus crime and residence hall fire statistics.

- The Clery Act specifies the crimes/violations that are to be published. These are reflected in the 2013-2014 [Security and Fire Safety Report](#), on pages 13 and 14.

Campus Security Authorities: Staff members who have “significant responsibility for student and campus activities” are required to document any Clery Act-designated crime reported to them for inclusion in Western’s annual campus crime statistics. Western has identified 52 staff members whose positions fall under the Department of Education’s definition of campus security authorities (CSAs). Reports submitted by CSAs are forwarded to University Police for follow-up and verification.

Notable Changes in Crime Statistics in 2012:

- Nationally, instances of sexual misconduct, sexual assault, and harassment have been largely underreported crimes. With changes in legislation, including Title IX clarifications (2011) and the passage of the Campus Sexual Assault Violence Act (SaVE Act) provision of the Violence Against Women Reauthorization Act (2013), there has been an increased focus on higher education institutions’ handling of such matters and data reporting. Through the coordinated efforts of the Equal Opportunity Office, several offices have been actively reviewing and expanding Western’s prevention and outreach efforts as to further encourage our students to report these crimes. Staff are also working to prepare data for next year’s report in response to new reporting requirements under the Campus SaVE Act.
- All five reported “Forcible Sex Offenses” on Western’s campus were investigated and referred to the Whatcom County Prosecutor’s office.
- Year to year variation continues in the number of liquor law and drug arrests, and disciplinary referrals for liquor law and drug related violations. The Clery Act specifies the reporting of the previous three years’ numbers. Longer term comparisons show 2012 consistent with figures collected between 2007 and 2009.

DATE FOR NEXT REGULAR MEETING

- **February 6 & 7, 2014**

ADJOURNMENT

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 13, 2013

SUBJECT: Faculty Research and Advocacy

PURPOSE: Lunch Presentation

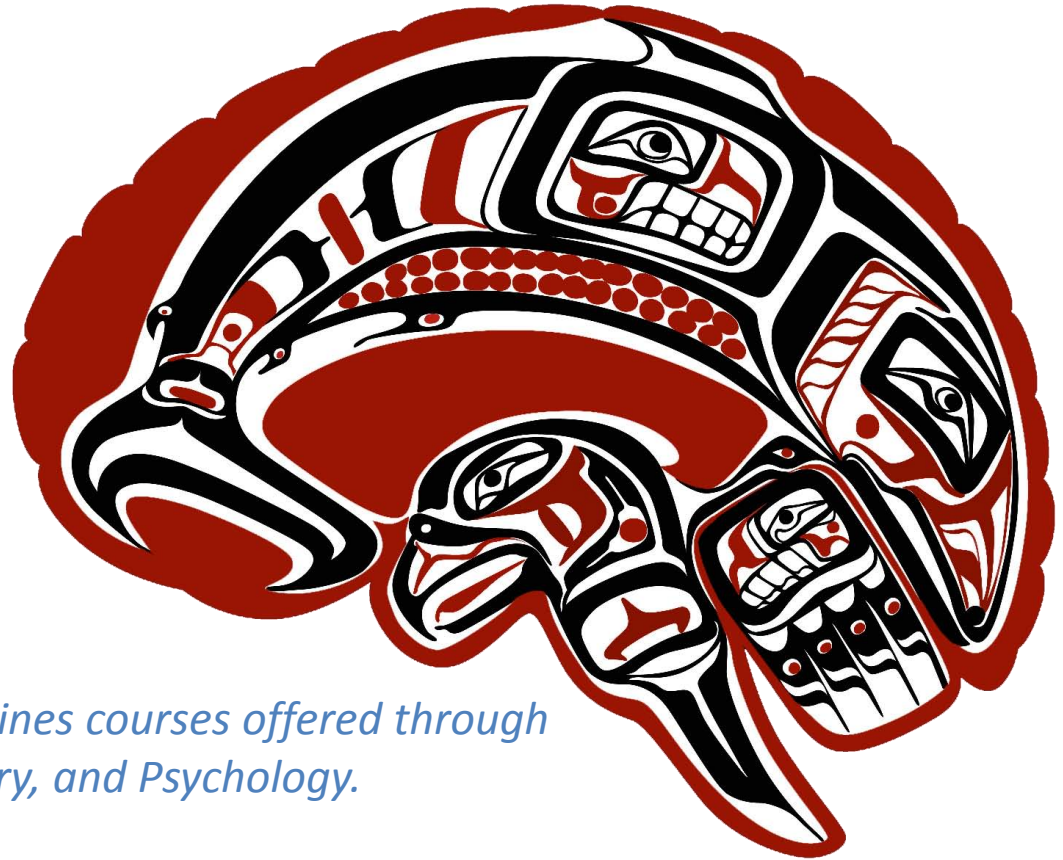
Purpose of Submittal:

Western Washington University's Behavioral Neuroscience Program brings together faculty whose interests span the scales of neuroscience, from molecular to behavioral. Students studying for a Bachelor's degree in Behavioral Neuroscience receive a strong background in the physical sciences, as well as a deep and developed instruction in modern neuroscience. Assistant Professor Jeff Carroll has established a lab at WWU focused on understanding the processes that lead to the development of Huntington's Disease, a genetic neurodegenerative disorder. As a community outreach effort, Carroll also runs an online news service for those affected by HD and their families (HDBuzz.net), which has rapidly become the premiere source for online information about HD. Carroll will describe his efforts, and those of his students, in both science and public education.



Jeff Carroll, PhD

*Assistant Professor
Behavioral Neuroscience Program
Department of Psychology
Western Washington University*



Behavioral Neuroscience is the study of how nervous system structure and function produces normal and abnormal behavior.

*This **interdisciplinary program** combines courses offered through the Departments of Biology, Chemistry, and Psychology.*

*The curriculum combined with an **emphasis on undergraduate involvement in research**, provides students with the specialized preparation and technical sophistication critical for **success in post-graduate training programs and entry-level biomedical research positions.***

73 Graduates, with 40 students currently studying for a BA in Behavioural Neuroscience



Student Outcomes

Graduate Schools

(UBC, UW, UT, UCSB, Mt. Sinai, ASU, USC, OHSU, ...)

Medical Schools

(Johns Hopkins, UW)

Clinical jobs

(Cascade & Spine, Balance PT, UW Medicine, Evergreen)

Biotech jobs

(Numira, Acucela, SNBL, Alder Biopharmaceuticals)

Public service

(Peace Corp, Americorps)

Behavioral neuroscience explores the role of the nervous system in normal and abnormal behavior, thought and emotion. For example, Behavioral Neuroscientists study the biological basis of normal learning and memory as well as psychiatric illnesses such as depression, schizophrenia and drug abuse. Sample career fields include neuroscientist and biomedical researcher.



Behavioral Neuroscience Program



www.wvu.edu/neuroscience
Departments of Biology & Psychology

western preview





COMPASS 2 CAMPUS

WESTERN WASHINGTON UNIVERSITY



COMPASS 2 CAMPUS

WESTERN WASHINGTON UNIVERSITY

COLLEGE QUEST

College Prep Program for High School Students





COLLEGE QUEST

College Prep Program for High School Students



LARRABEE



TASTE RECEPTORS

WESTE

ZOO







SOCIETY FOR NEUROSCIENCE



SOCIETY FOR NEUROSCIENCE



Neuroscience on Tap

Bring Your Own Brain



Neuroscience on Tap

Bring Your Own Brain





MY RESEARCH AT WWU



THE
MEDICAL AND SURGICAL REPORTER

No. 789.]

PHILADELPHIA, APRIL 13, 1872.

[VOL. XXVI.—No.

ORIGINAL DEPARTMENT.

Communications.

ON CHOREA.

BY GEORGE HUNTINGTON, M. D.,
Of Pomeroy, Ohio.

Essay read before the Meigs and Mason Academy of Medicine at Middleport, Ohio, February 15, 1872

Chorea is essentially a disease of the nervous system. The name "chorea" is given to the disease on account of the *dancing* propensities of those who are affected by it, and it is a very appropriate designation. The disease, as it is commonly seen, is by no means a dangerous or serious affection, however distressing it may be to the one suffering from it, or to his friends. Its most marked and char-

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A Novel Gene Containing a Trinucleotide Repeat That Is Expanded and Unstable on Huntington's Disease Chromosomes

The Huntington's Disease Collaborative Research Group*

Summary

The Huntington's disease (HD) gene has been mapped in 4p16.3 but has eluded identification. We have used haplotype analysis of linkage disequilibrium to spotlight a small segment of 4p16.3 as the likely location of the defect. A new gene, IT15, isolated using cloned trapped exons from the target area contains a polymorphic trinucleotide repeat that is expanded and unstable on HD chromosomes. A (CAG)_n repeat longer than the normal range was observed on HD chromosomes from all 75 disease families examined, comprising a variety of ethnic backgrounds and 4p16.3 haplotypes. The (CAG)_n repeat appears to be located within the coding sequence of a predicted ~348 kd protein that is widely expressed but unrelated to any known gene. Thus, the HD mutation involves an unstable DNA segment, similar to those described in fragile X syndrome, spino-bulbar muscular atrophy, and myotonic dystrophy, acting in the context of a novel 4p16.3 gene to produce a dominant phenotype.

*The Huntington's Disease Collaborative Research Group comprises:

Group 1:

Marcy E. MacDonald,¹ Christine M. Ambrose,¹ Mabel P. Duyao,¹ Richard H. Myers,² Carol Lin,¹ Lakshmi Srinidhi,¹ Glenn Barnes,¹ Sherryl A. Taylor,¹ Marianne James,¹ Nicolet Groot,¹ Heather MacFarlane,¹ Barbara Jenkins,¹ Mary Anne Anderson,¹ Nancy S. Wexler,³ and James F. Gusella^{1†}

¹Molecular Neurogenetics Unit
Massachusetts General Hospital
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Harvard Medical School
Boston, Massachusetts 02114

²Department of Neurology
Boston University Medical School
Boston, Massachusetts 02118

³Hereditary Disease Foundation
1427 7th Street, Suite 2
Santa Monica, California 90401

Group 2:

Gillian P. Bates, Sarah Baxendale, Holger Hummerich, Susan Kirby, Mike North, Sandra Youngman, Richard Mott, Gunther Zehetner, Zdenek Sedlacek, Annemarie Poustka, Anna-Maria Frischaut, and Hans Lehrach
Genome Analysis Laboratory
Imperial Cancer Research Fund
Lincoln's Inn Fields
London, WC2A 3PX, England

Group 3:

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Laura Riba-Ramirez,¹ Manish Shah,¹ Vincent P. Stanton,¹ Scott A. Strobel,² Karen M. Draths,² Jennifer L. Wales,² Peter Dervan,² and David E. Housman¹

¹Center for Cancer Research
Massachusetts Institute of Technology
Cambridge, Massachusetts 02139

²Division of Chemistry and Chemical Engineering
California Institute of Technology
Pasadena, California 91125

Group 4:

Michael Altherr, Rita Shiang, Leslie Thompson, Thomas Fielder, and John J. Wasmuth
Department of Biological Chemistry
University of California
Irvine, California 92717

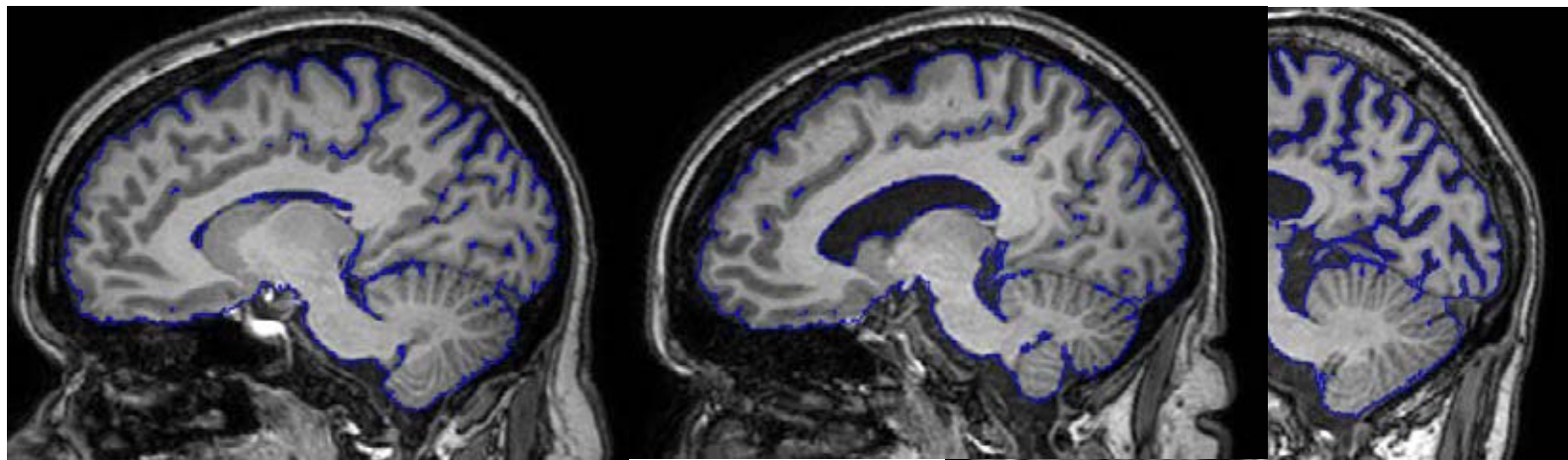
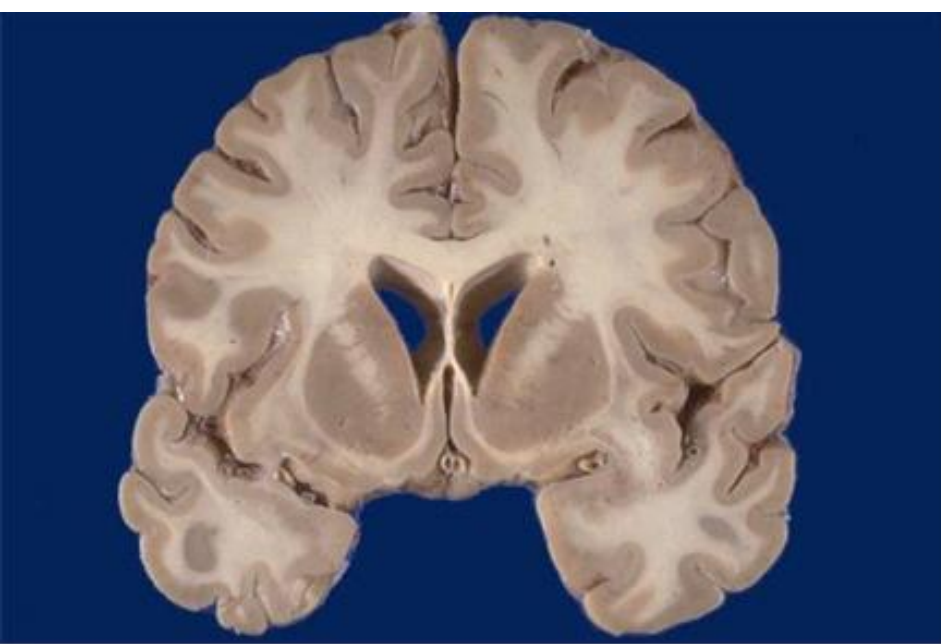
Group 5:

Danilo Tagle, John Valdes, Lawrence Elmer, Marc Allard, Lucio Castilla, Manju Swaroop, Kris Blanchard, and Francis S. Collins
Department of Internal Medicine and Human Genetics and The Howard Hughes Medical Institute
University of Michigan
Ann Arbor, Michigan 48109

Group 6:

Russell Snell, Tracey Holloway, Kathleen Gillespie, Nicole Datson, Duncan Shaw, and Peter S. Harper
Institute of Medical Genetics
University of Wales College of Medicine
Cardiff, CF4 4XN, Wales

[†]Correspondence should be addressed to James F. Gusella.



Control

Pre Manifest

HD

Hepatic mitochondrial dysfunction in manifest and premanifest Huntington disease

Sven H. Stüwe, MD
Oliver Goetze, MD
Carsten Lukas, MD
Peter Klotz, MSc
Rainer Hoffmann, MSc
Matthias Banasch, MD
Michael Orth, MD
Wolfgang E. Schmidt,
MD
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Carsten Saft, MD

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ABSTRACT

Objective: In this cross-sectional study, we investigated whether there is evidence for hepatic mitochondrial dysfunction in manifest and/or premanifest Huntington disease (HD) by using the ^{13}C -methionine breath test.

Methods: The ^{13}C -methionine breath test was performed within a group of 21 patients with early manifest HD without medication, 30 premanifest mutation carriers, as well as 36 healthy controls. Premanifest mutation carriers were stratified into the 2 groups preHD-A (further from predicted onset) and preHD-B (nearer) based on a calculation of the probability of estimated disease onset within 5 years. The ^{13}C -methionine breath test was performed after an overnight fasting, breath samples were analyzed by nondispersive isotope-selective infrared spectroscopy, and results expressed as percentage dose recovered after 90 minutes of testing time. Statistical analyses comprised analysis of covariance and post hoc *t* tests.

Results: Patients with manifest HD and mutation carriers from our preHD-B group revealed a lower amount of exhaled $^{13}\text{CO}_2$ compared with healthy controls ($p < 0.001$ and $p = 0.017$, respectively). In a stepwise linear regression model, breath test results correlate to functional and cognitive scores of the Unified Huntington's Disease Rating Scale in manifest and also in premanifest HD. For all mutation carriers together, there was a weak but significant correlation of breath test results to ratio caudate volume/total intracranial volume.

Conclusion: This study demonstrates for the first time in vivo a subclinical, hepatic involvement in manifest and premanifest HD. *Neurology*® 2013;80:1-4

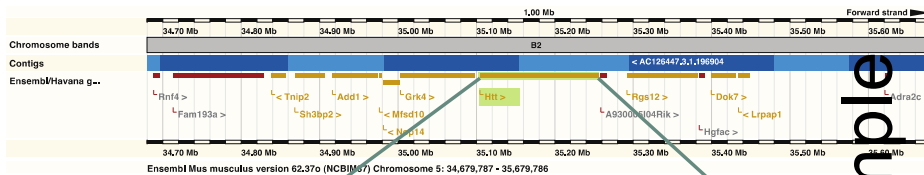
Tools: The *Htt*^{Q111/+} mouse and cell lines



*Mild disease symptoms allow us to study metabolic changes that **precede** overt neurodegeneration and/or behavioral symptoms of Huntington's Disease.*

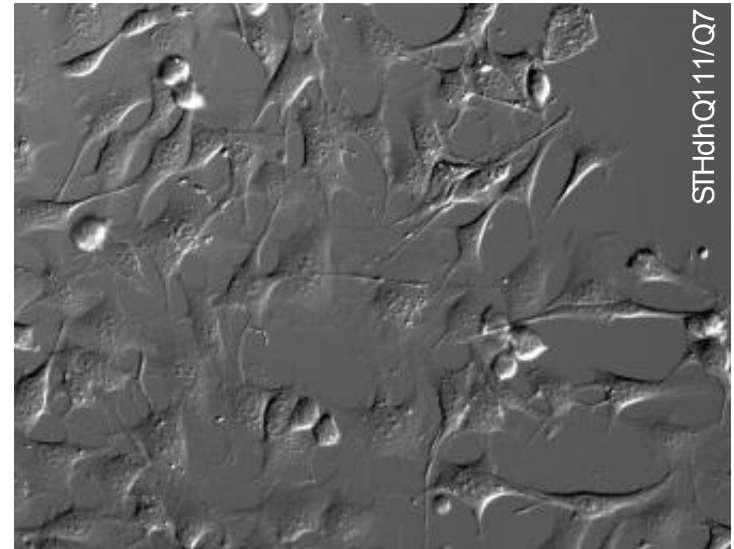
Wheeler VC, et al. HMG. 2000 Mar 1;9(4):503–13.

We can culture cells from these mice

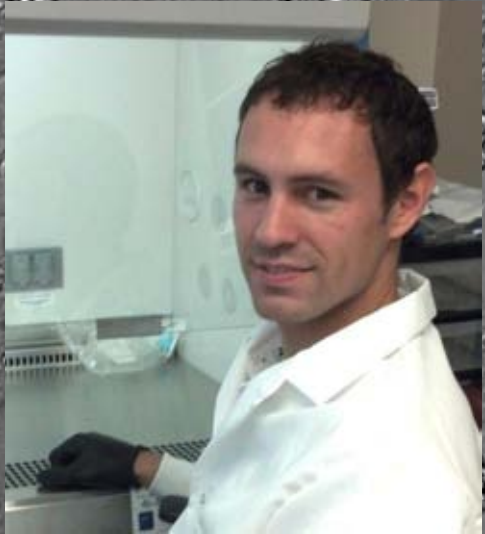


Biological Sample

Full-length Murine HTT - 344kD

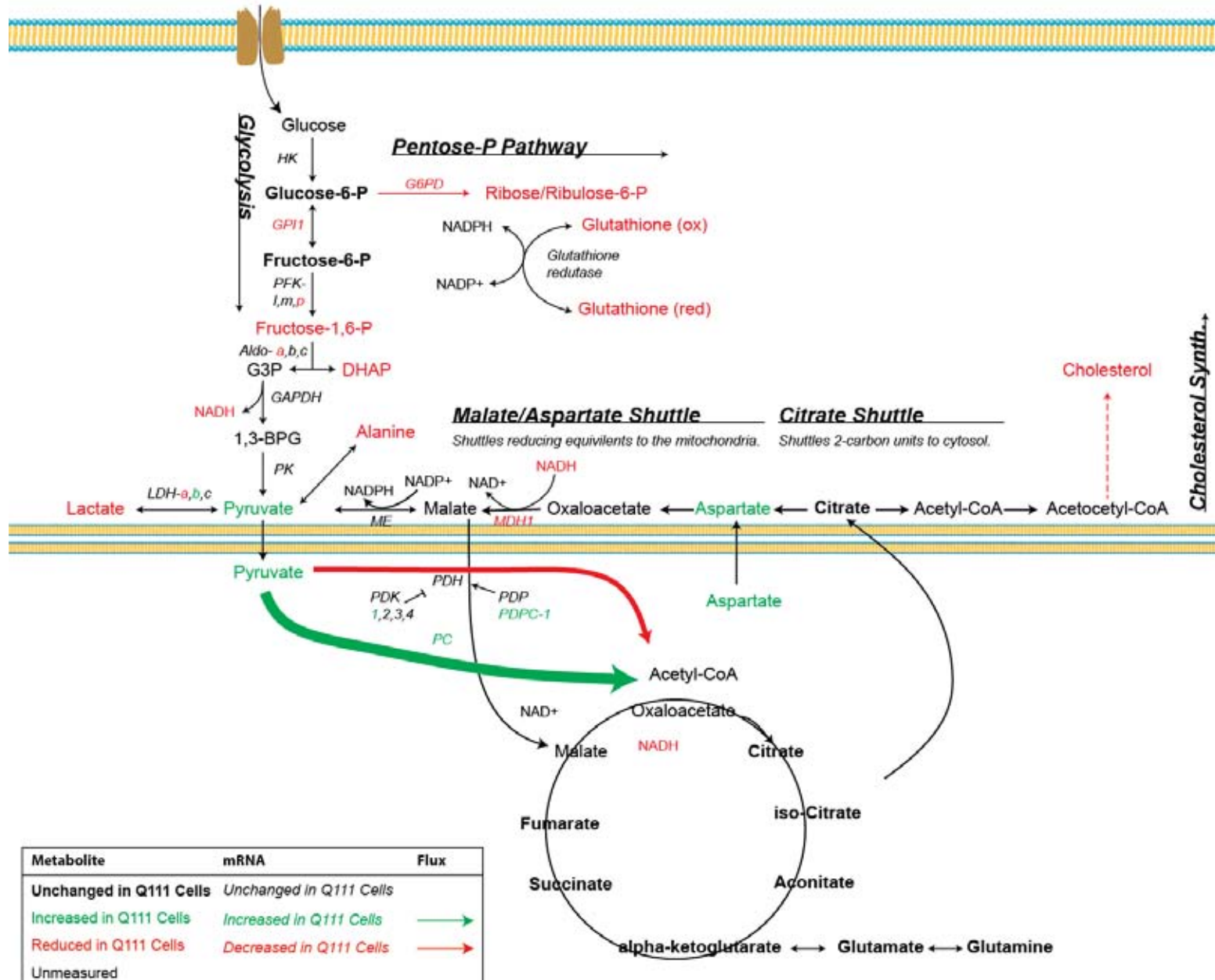


Peak Size (Counts per second)



Rory Weston, BNS Grad

Mapping metabolic changes in HD cells





*Huntington's disease research news. In plain language.
Written by scientists. For the global HD community.*



Huntington's Disease Society of America



HD Buzz.net

★ Featured article

Major Roche-Isis deal boosts Huntington's disease gene silencing

DR ED WILD ON APRIL 09, 2013

Isis Pharmaceuticals and Roche have announced a multi-million dollar deal to support the development of 'gene silencing' drugs to human trials. This is big news that secures the future of these exciting drugs for Huntington's disease.



▶ START HERE

New to HD research? Click here to get an overview

👉 featured gene-silencing

🏠 Latest news

Is access to predictive genetic testing for Huntington's disease a problem?

DEEPTI BABU ON APRIL 23, 2013

Is access to 'predictive' genetic testing for Huntington's disease a problem? Research from University of British Columbia researchers suggests that it is, at least in Canada. We explore the problem and possible solutions.



👉 genetics communication human

PREVIOUSLY FEATURED

Simple rules for a good night's sleep in Huntington's disease

HDBuzz Special Feature:
Huntington's disease and sleep

'Guard dog' proteins reveal surprising connections between Huntington's disease and other brain disorders

Calming down the immune system helps Huntington's disease mice

Of mice and men: using animal models to study Huntington's disease

More...

HD Therapeutics Conference 2013
Updates: Day 3



Liver changes in Huntington's disease patients suggest more 'whole body' research needed



A new study suggests that liver changes may occur in HD patients, opening up new avenues of research

By Dr Jeff Carroll on March 06, 2013

Edited by Dr Ed Wild

Huntington's disease patients seem to have a lot of changes outside the brain, but these issues haven't yet been studied in great detail. New evidence reveals that Huntington's Disease mutation carriers have differences in liver function, even before they have symptoms of HD. This new finding might help us understand the metabolic changes experienced by HD patients, which are currently poorly understood and under-studied.

HD is a brain disease, right?

Huntington's disease is often described as a 'neurodegenerative' disease. This just means that the main symptoms of the disease are thought to be caused by the early death of special brain cells called 'neurons'.

Many of the most prominent symptoms of HD are almost certainly caused by the early death of neurons, including the noticeable movement symptoms



ARTICLE FEEDBACK

👍 Enjoyed (53)

👎 Didn't understand (4)

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Article in Neurology by Stüwe and colleagues (full article requires payment or subscription)

Calming down the immune system helps Huntington's disease mice

The broader context

While it's good that the data from HART are now published, this new paper doesn't contain any surprises, and it doesn't change what needs to happen next for Huntexil to get licensed.

“ This new paper doesn't contain any surprises, and it doesn't change what needs to happen next for Huntexil to get licensed. ”

HART is one of two large studies of Huntexil carried out by NeuroSearch. Results of the larger study, MermaiHD, were published in 2011 and again, the drug failed to meet the pre-specified level of success to declare the result positive.

When the pooled results of both trials were presented to the European and American regulators, the EMA and the FDA, NeuroSearch was told that it would need to run a third large trial that met the pre-specified tests for success, in order to get a license for the drug. One question was whether the trials had used high enough doses of Huntexil to get the biggest effect.

Teva has announced its intention to “design and complete new clinical studies of Huntexil”, so we can hopefully look forward to an announcement of such a trial in the near future.

The authors have no conflicts of interest to declare. For more information about our disclosure policy see our FAQ...

[< Previous](#)

[Next >](#)

Huntexil update: EMA asks for further trial

Improving Huntington's disease clinical trial recruitment through patient and family education

FDA: further trial needed for Huntexil approval in HD

TOPICS

[huntexil](#)

[motor-function](#)

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DISCUSS THIS ARTICLE ON HD COMMUNITY SITES

[Huntington's Disease Association England & Wales](#)

[HD Australia forums](#)

[Huntington's Disease Youth Organization](#)

[Huntington's Disease Lighthouse Families Forums](#)

[HD Caregivers Yahoo Group](#)



English

Relajar el sistema inmune ayuda a ratones con Enfermedad de Huntington



Fármacos activadores de receptores CB2 mejoran supervivencia y síntomas de ratones con EH al relajar el sistema inmune

Por Dr Ed Wild el 22 de diciembre de 2012

Editado por Dr Jeff Carroll ; Traducido por Laura Medialdea Marcos, PhD

¡Me ha gustado! (80)

No lo he entendido (13)

Imprimir

Compartir

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Deutsch

español

français

italiano

Nederlands

norsk

polski

português

svenska

русский

中文

Se piensa que el sistema inmune se comporta de forma anormal en la enfermedad de Huntington. En la actualidad, se ha demostrado que un fármaco que activa los receptores CB2 en células inmunes mejora los síntomas y la supervivencia de ratones con EH - con implicaciones muy interesantes para estudiar el sistema inmune como diana para terapias de la EH.

El sistema inmune en la EH

La enfermedad de Huntington se considera una enfermedad **neurodegenerativa**, pues la mayoría de sus síntomas son causados por disfunción o muerte neuronal. Sin embargo, la proteína huntingtina mutada que produce la EH es fabricada por cada una de las células del organismo, y, en los últimos años, los investigadores han estudiado en profundidad de cerebro para abajo para buscar tratamiento a la EH.



赋予亨廷顿病一只“手”？两个研究团队报道了锌指结构药物在细胞和老鼠实验中的成功。



在亨廷顿病的细胞和小鼠模型中应用锌指药物，成功的降低的有害蛋白的产生

通过Dr Ed Wild 关于2012年11月01日

由Dr Jeff Carroll编辑；由Jianfang Chen翻译

喜欢 (114)

不能理解 (20)

打印

共享

HD 治疗中非常有前景的一种治疗措施是，设计一种能告诉细胞减少有害的突变亨廷顿蛋白生成的药物。迄今，大多数致力于降低亨廷顿蛋白生成的研究主要集中在信使RNA，而不是信使RNA的来源——DNA。现在，两个独立的研究小组在HD小鼠实验中获得的成功，推动了直接作用于HD基因的“锌指”药物的发展。如今，处于这项技术的早期，试问：我们了解了什么？我们又将面临哪些挑战？

由Shang Hui Fang和Yang Liang翻译。

锌指结构到底是什么？

锌是一种有光泽的金属，可见于银币、电池和白色颜料。但锌在人体有一个有趣的用途—研究者希望能用它治疗HD。事实证明，锌对人体是非常重要的，它可以使细胞调控我们DNA中不同基因的活性水平。

我们的基因就是一组由化学『字母』A, C, G, T组成的指令集（或碱基序列）。每一个基因有不同的碱基序列，细胞基于每个基因特定的碱基序列而利用含锌蛋白帮助调控单个基因。

当Zn²⁺与基因调控蛋白结合时，就形成了『锌指蛋白』—之所以这样命名，是因为





hunting for a cure - with care
Huntington's Disease Association
 email: info@hda.org.uk tel: 0151 331 5444



Huntington Society of Canada
HUNTINGTON
 Société Huntington du Canada

scottish
huntington's
 association



Huntington's Disease
 Society of America

HD DW
HUNTINGTON'S DISEASE DRUG WORKS

AICH milano
 Associazione Italiana Corea di Huntington



Our HD Space



HUNTINGTON'S DISEASE
 YOUTH ORGANIZATION



**Polskie Stowarzyszenie
 Choroby Huntingtona**

Agrupación Chilena
 de Huntington

FUNDACION HUNTINGTON
 DE COLOMBIA

Associazione Italiana Corea di Huntington Neuromed



Associazione Italiana
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 Roma Onlus

LA MALADIE DE HUNTINGTON
INFORMATIONS ET FORUM DE DISCUSSION

Huntington's Disease Association
 Bristol Branch

ASSOCIAÇÃO PORTUGUESA DE DOENTES DE HUNTINGTON
 (APDH)

UCL HUNTINGTON'S DISEASE RESEARCH
 INFORMATION FOR PATIENTS, RELATIVES AND CARERS



ABH
 Associação Brasil Huntington



Predictive Testing for
 HUNTINGTON DISEASE

WeHaveAFace.org

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17 funders

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