

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
AGENDA**

FRIDAY, December 12, 2014

Location: Old Main 340

Time: 10:00 a.m.

1. **CALL TO ORDER**
10:00
2. **PUBLIC COMMENT**
10:00 – 10:10
3. **BOARD CHAIR**
10:10 – 10:20
4. **UNIVERSITY PRESIDENT**
10:20 – 10:30
5. **ASSOCIATED STUDENTS**
10:30 – 10:40
6. **FACULTY SENATE**
10:40 – 10:50

ACTION ITEMS

7. **APPROVAL OF AMENDED 2013-2015 INTERNAL AUDIT SCHEDULE**
10:50 – 10:55 Presentation: Matt Babick, Director, Office of the Internal Auditor
10:55 – 11:00 Discussion
8. **FACILITY NAMING**
11:00 – 11:05 Presentation: Bruce Shepard, President
11:05 – 11:10 Discussion

DISCUSSION ITEMS

9. **HOUSING & DINING SYSTEM CAPITAL PLAN**
11:10 – 11:20 Presentation: Eileen Coughlin, Senior VP & VP for Enrollment and Student Services
11:20 – 11:30 Discussion

10. CAMPAIGN UPDATE

11:30 – 11:35 Presentation: Deborah DeWees, Senior Director of Alumni & Communications and Executive Director of the WWU Alumni Association

11. OLYMPIA UPDATE

11:35 – 11:45 Presentation: Becca Kenna-Schenk, Government Relations Director
11:45 – 11:50 Discussion

12. AUDIT COMMITTEE REPORT

11:50 – 11:55 Presentation: Trustee Dick Thompson, Chair, Board of Trustees Audit Committee

13. COMMITTEE ON TRUSTEES REPORT

11:55 – 12:00 Presentation: Trustee Sue Sharpe, Chair, Committee on Trustees

14. INFORMATION ITEMS

12:00 - 12:05

- 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. 2013-2014 University Financial Report
- h. 2014 Housing & Dining System Financial Report
- i. 2014 Wade King Student Recreation Center Financial Report
- j. 2014 AS Bookstore Financial Report
- k. 2014 Parking Services Financial Report
- l. Student Right to Know/Clery Act

15. DATE FOR NEXT REGULAR MEETING: February 12, 13, 2015 in Seattle at the Alexis Hotel

16. ADJOURNMENT

17. LUNCH

- University Presentation - Concussion in Young Athletes
 - Dr. Michael Fraas, Department of Communication Sciences and Disorders

1. CALL TO ORDER

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

TO: Members of the Board of Trustees

FROM: Bruce Shepard, President

DATE: Friday, December 12, 2014

SUBJECT: **Public Comment Period**

PURPOSE: Information Item

Purpose of Submittal:

RCW 28B.10.110 requires that the governing boards of regional universities provide for public comment at meetings and follow procedures for open public meetings in the Open Public Meetings Act.

Persons wishing to comment will sign in between 9:45 – 9:55 a.m. the day of the Board of Trustees meeting. The signup sheet will be given to the Board Chair at 10:00 a.m.

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

TO: Members of the Board of Trustees
FROM: Karen Lee, Chair, Board of Trustees
DATE: Friday, December 12, 2014
SUBJECT: **Board Chair Report**
PURPOSE: Information Item

Purpose of Submittal:

Board Vice Chair Sue Sharpe 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: Friday, December 12, 2014

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 12, 2014

SUBJECT: **Associated Students**

PURPOSE: Associated Students Report

Purpose of Submittal:

AS President Annika Wolters will brief the Board of Trustees on current activities of the Associated Students.

**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: Friday, December 12, 2014
SUBJECT: Faculty Senate
PURPOSE: Information Item

Spencer Anthony-Cahill, 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: Board Audit Committee and President Bruce Shepard

DATE: December 11, 2014

SUBJECT: Approval of Amended 2013-2015 Internal Audit and Consulting Schedule

PURPOSE: Action Item

Purpose of Submittal:

The Office of the Internal Auditor creates a risk-based audit schedule to maximize the effective use of Western's Internal Audit resources. Internal Audit used a risk assessment process that solicited input from across campus and took into consideration coverage provided by external auditors such as the State Auditor's Office. The Vice Presidents, Provost, President, and Audit Committee participated in audit priority discussions.

In updating the 2013-2015 Internal Audit Schedule, the primary revision is that the Internal Audit Director has the flexibility to use his professional judgment to perform reviews of the subject areas as either consulting projects or as traditional assurance audits. As always, the planned schedule for consultations and audits may be significantly affected when unanticipated work emerges, such as investigations required by state law.

In accordance with the Audit Committee's authorities, outlined in its Charter, the committee has reviewed and recommends the attached Amended 2013-2016 Internal Audit and Consulting Schedule to the Board of Trustees for its review and approval.

Note that the 2015-2017 Internal Audit and Consulting Schedule will be presented to the Board of Trustees at its June 2015 meeting.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon recommendation of the Board of Trustees Audit Committee and President Shepard, approve the attached Amended 2013-2016 Internal Audit and Consulting Schedule.

Documents Attached:

- Amended 2013-2016 Internal Audit and Consulting Schedule

**Western Washington University
Office of the Internal Auditor
Amended 2013-2016 Internal Audit and Consulting Schedule**

| 2013-2014 | 2014-2015 | 2015-2016 |
|--|---|--|
| <p style="text-align: center;">OPERATIONAL/FINANCIAL REVIEWS</p> <p>Huxley College – Audit of Fee Expenditures To review and evaluate Huxley Colleges’ course and lab, service and facility rental fees for compliance with the university’s processes. [REMOVED]</p> <p>Services and Activities Fee Process To review and evaluate the operational efficiency, effectiveness and compliance of the University’s processes for administering services and activities fees. [COMPLETED]</p> <p style="text-align: center;">FOLLOW UP AUDITS</p> <ul style="list-style-type: none"> • Vending Machine Contracts [COMPLETED] • Purchasing Card Audit [COMPLETED] | <p style="text-align: center;">OPERATIONAL/FINANCIAL REVIEWS</p> <p>Athletics Department: Expenditure Compliance and Program Compliance with Selected NCAA Rules To review and evaluate expenditure compliance with state regulations and the department’s compliance with selected NCAA rules.</p> <p>Fraud Risk Management Program - Assessment To evaluate the University’s fraud risk management practices and controls to determine if the potential risks of fraud are reasonably managed. Note: This may include use of a consultant and new “data analytics.”</p> <p>Laboratory Chemicals Audit To review and evaluate the administration and handling of the University’s laboratory chemicals for safety and compliance.</p> <p>Student Sports Clubs To review and evaluate student sports clubs fundraising processes for efficiency, effectiveness and compliance.</p> | <p style="text-align: center;">OPERATIONAL/FINANCIAL REVIEWS</p> <p>Grant Administration Process To review and evaluate the operational efficiency, effectiveness and compliance of the University’s grant processes.</p> <p>Housing and Dining Services To review and evaluate the operational efficiency, effectiveness and compliance of Housing and Dining Operations.</p> <p>Registrar’s Office To review and evaluate the operational efficiency, effectiveness and compliance of the Registrar’s Office operations.</p> <p>Human Resources To review and evaluate the efficiency, effectiveness and compliance of selected Human Resource functions.</p> <p>Ethics Program To review and evaluate the design and implementation of the University’s ethics-related objectives, programs, and activities for efficiency, effectiveness and compliance.</p> |

2013-2014

2014-2015

2015-2016

| | | |
|---|--|--|
| <p>Quarterly President Expense Reviews To review the President’s state-funded travel and entertainment expenses for compliance with state rules and University policies. [ONGOING]</p> <p style="text-align: center;">FOLLOW UP AUDITS</p> <ul style="list-style-type: none">• Property Management Contract Consultation [IN PROCESS] | <p>Cash Audits This on-going project monitors the efficiency, effectiveness and compliance of the University’s cash handling processes.</p> <p>Quarterly President Expense Reviews To review the President’s state-funded travel and entertainment expenses for compliance with state rules and University policies.</p> <p style="text-align: center;">FOLLOW UP AUDITS</p> <ul style="list-style-type: none">• Lakewood Center Use of Resources Special Investigation [COMPLETED]• Property Management Contract Consultation [NEAR COMPLETION] | <p>Student Travel Abroad Oversight Compliance To review and evaluate if all events or programs where Western Washington University students travel and study outside of the United States are administered under the direction of the Center for International Studies in compliance with University policies.</p> <p>Cash Audits This on-going project monitors the efficiency, effectiveness and compliance of the University’s cash handling processes.</p> <p>Quarterly President Expense Reviews To review the President’s state-funded travel and entertainment expenses for compliance with state rules and University policies.</p> |
|---|--|--|

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

TO: Members of the Board of Trustees

FROM: President Bruce Shepard

DATE: December 12, 2014

SUBJECT: Facility Naming

PURPOSE: Action Item

Purpose of Submittal:

POL-U6000.02 NAMING UNIVERSITY BUILDINGS, LARGE OPEN SPACES AND ALL OTHER UNIVERSITY FACILITIES. This policy applies when naming university buildings, large open spaces and facilities in honor of a benefactor(s) or person(s) of distinction.

The Board of Trustees reserves unto itself the authority, "To name buildings and large open spaces in honor of a person or persons." [*WWU Board of Trustees Rules of Operation, Section 2.3(r).*]

Person of distinction; Individual(s) whose academic, administrative, service or other achievements have contributed significantly to the welfare of the university.

Proposed Motion:

MOVED, that the Board of Trustees, on recommendation of the President, name the Western Washington University Marine Science Education Building at Shannon Point Marine Center in honor of Jerry Flora, President Emeritus, for his academic, administrative, service, and many other achievements that have contributed significantly to the welfare of the university. The name will change to the **Charles J. (Jerry) Flora Marine Education Center**.

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 12, 2014
SUBJECT: **Housing & Dining System Capital Plan**
PURPOSE: Discussion

Purpose of Submittal:

To provide the Board of Trustees with information regarding the capital plan for Western's housing and dining facilities.

Supporting Information:

Detailed information is attached.

Housing & Dining System Capital Plan Update
Appendix A: Guiding Principles
Appendix B: Long-Term Demand, Fiscal Projections, & Assumptions

Housing & Dining System Capital Plan December 2014 Update

This report responds to Principle D of the Board of Trustees Guiding Principles for the Western Washington University Housing and Dining System, adopted in 1994 and last revised in October 2010. Per the Principles, capital plan updates are provided to the Board every two years. The Housing and Dining System Capital Plan was last presented to the Board of Trustees at the December 2012 meeting and a financing plan in April 2009 meeting prior to the issuance of bonds. In June 2012 the Board approved a bond sale for refunding the 2003 bonds. Periodic updates on specific projects have been included as part of the Housing & Dining Mid-Year Report in February of each year, and plans for the proposed 2015 refinancing of the 2005 and 2006 bonds are outlined in a separate agenda item at this Board meeting.

The capital plan meets four goals:

- 1) Provide campus housing to support Western's current enrollment plans
- 2) Meet or exceed the Board of Trustees fiscal principles
- 3) Invest in infrastructure to ensure longevity, health and safety
- 4) Respond to changing student demographics, needs and programmatic expectations

Guiding Principles (Appendix A)

The System continues to meet and/or exceed the Guiding Principles. Occupancy remains strong, and reserve fund balances and debt coverage ratios are at planned levels to support the projects currently in place and being discussed for the next 10+ years.

Occupancy and Enrollment (Appendix B)

The supply of campus housing beds currently meets enrollment considerations for the University and takes into account the following on occupancy supply and demand:

- Increasing demand for housing of out of state and international students
- Fluctuation of freshmen and new transfers, as well as returning student demand
- A forthcoming occupancy stress test (range of tolerance in handling variations) to ascertain the impact of larger changes in enrollment and occupancy
- Commitment to housing all freshmen

Housing & Dining System Capital Plan Project Themes: University Residences

Four themes, with a preliminary scope totaling an estimated \$103 million over ten years, represent the Housing & Dining System's future capital plan initiatives:

- A. Facility Revitalization and Refurbishment (\$63 million or 60% of total)
 - Modernize student rooms and community with new flooring, lighting, painting and amenities
 - Renovate restrooms with improved spaces and fixture replacement
 - Revitalize public spaces and entry zones
 - Enhance and increase Viking Commons dining ambience and capacity
 - Repurpose building recycling and sustainable centers

B. Infrastructure Needs (\$22 million or 22% of total)

- Address embedded hydronic heat systems in Ridgeway and Fairhaven
- Replace windows
- Re-seal building brick envelopes
- Increase ADA access and room accommodations

C. Health, Safety and Entrance Security Access Projects (\$15 million or 15% of total)

- Finish multi-year sprinkler project with Nash and Kappa
- Install electronic access control on exterior entrances and on controlled spaces
- Finish seismic upgrades in Highland and Commissary
- Add fire alarm annunciators

D. Programmatic Enhancements (\$3 million or 3% of total)

- Changes to Buchanan Towers to address international student housing
- Circulation and services in entry/public areas of Buchanan Towers
- Remodel and/or re-purposing of Ridgeway Commons “lounge” space
- Add retail food platform to the Carver facility (pending renovation decision)

The System’s multi-year sprinkler installation program, started in 2003, will conclude with Nash and Kappa projects completion in August 2015. With the conclusion of the fire sprinkler projects, the System shifts focus to projects providing enhancements that respond to the changing needs of students, keeping the System competitive as students make enrollment and occupancy choices, and addressing facility structures and renovation needs.

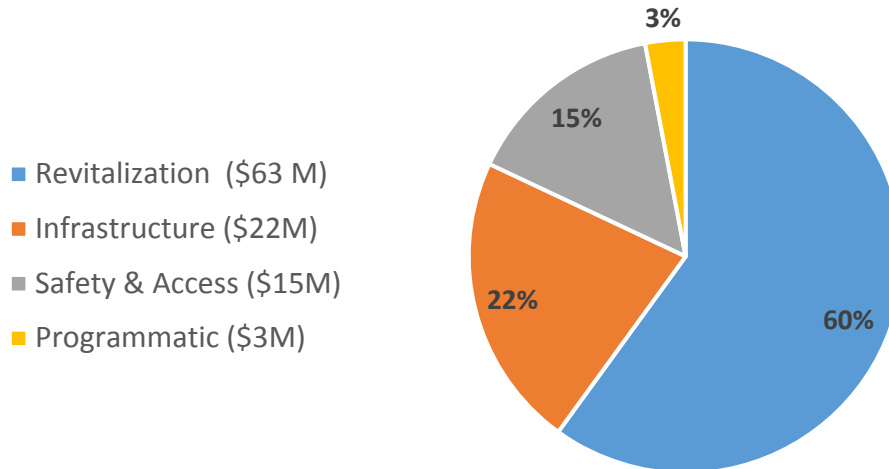
These major projects are in addition to the System’s annual operating repair and maintenance work (approximately \$2 million annually) and minor renewal and replacement projects (approximately \$1 –\$2 million annually).

Project scope and funding

Many components of the projects under the proposed themes already exist in the current capital plan financing model. Additional campus and consultant conversations will allow refinement of those items and the addition of new projects. New projects will have increasing emphasis on revitalization.

It is expected that the planning assumptions of the capital plan, such as projected rates and operating expenditures, will not need much change. Assumptions for room and board rate increases consider students’ total cost of education and are in the range of a 3.5% – 5.0% annually.

Preliminary estimates show the 10-year \$103 million of projects distributed by the capital project themes as follows:



Edens North Renovation

Edens North is the oldest residential building (1956) and has not yet had a comprehensive renovation. WWU hired design consultants to study options for either a comprehensive renovation or demolition/build new residence hall project, including the feasibility and cost to add new beds. The best value for dollars spent and an initial review of enrollment demand suggests that a renovation be given serious consideration, but likely without the addition of new beds.

Preliminary internal estimates suggest that a renovation of the existing 111 bed building would be in the range of \$8 - 9 million, to be debt financed. That estimate is incorporated into the project themes noted above. Evaluation could begin early 2015. The project has been tentatively scheduled to commence June 2016 and open September 2018. The schedule can be delayed if demand studies, financial market conditions, or other considerations suggest a later start date is more advantageous to the university.

A modest addition of 50 new beds at the time of renovation was estimated to cost an additional \$6-\$7 million (\$120,000+ per bed) and a larger addition of 66 beds estimated at an additional \$6.5-\$7.5 million (\$98,500+ per bed.) These costs are not included in the \$103 million total above. Feasibility of these options would need further study given building code and other potential issues.

Housing & Dining System Capital Plan Projects: Viking Union

In addition to the operating maintenance and renewal/replacement projects already included in the Viking Union's annual budget, the System is fiscally poised to accommodate additional work to meet its most pressing space needs.

Discussions are currently underway with the Associated Students, the Ethnic Student Center and other students and administrators to prioritize program space needs and explore various options within the Viking Union. The intent is to utilize annual savings from bond refinancing to invest in reorganizing the space within the Viking Union to better serve students with particular emphasis on the Ethnic Student Center.

Appendix A

Guiding Principles

| | PRINCIPLE | PERFORMANCE STANDARDS | RECENT LEVEL |
|----|--|--|---|
| A. | A healthy operating fund balance is important to ensure adequate funds are available to respond to extraordinary expenses. | <ol style="list-style-type: none"> 1. On average, the planned operating fund balance should be \$1.4 million. 2. The fund balance would be replenished to \$1.4 million dollars within 36 months after utilization of the fund. | \$2,681,463 as of June 30, 2014 |
| B. | The repair and replacement reserve balance shall serve two purposes: First, to meet the expectation of the bond covenants, and second, to increase the system's flexibility for funding future building. | <ol style="list-style-type: none"> 1. Reserves will meet the 5% requirements set forth in the bond covenants. 2. Reserves will be maintained to increase flexibility for future building based on the capital plan. | \$12,765,366 as of June 30, 2014 27% of the outstanding bond principle balance. |
| C. | Annual, planned, major maintenance expenditures are necessary to ensure quality living environments and protection of plant assets. | <ol style="list-style-type: none"> 1. Annual level of budgeted expenditures for non-operating repairs and replacements (non-operating maintenance projects) will be targeted at 12% based on the latest 3-year average of non-operating expenditures compared to operating revenue. 2. The Life Cycle Maintenance program will continue to be developed and will become a key management tool for scheduling non-operating maintenance projects. | <p>The level at June 30, 2014 was 20% based on the latest 3-year average of operating revenue.</p> <p>Development of the Life Cycle Maintenance program is complete and the system is in use.</p> |
| D. | Planning for the short term and long term is necessary in order to most effectively use the system's capital. | Biennially, the Housing and Dining System capital plan will be updated, including a review of determined needs and priorities and revised 10-year financial projections. | Update to be presented to Board December 2014. |
| E. | Adequate revenues must be available to fund ongoing operations and System debt service. | Maintain a goal of 1.40:1 for debt service coverage. At times the ratio may drop to 1.25:1 provided this is fiscally advantageous to the System and that the ratio is brought to 1.40:1 within 3 years. The mandatory debt coverage ratio per Bond Covenants is 1.25:1. | Debt service ratio of 2.28-:1 in fiscal 2014 using the method of calculation required by the Bond Covenants and State. |
| F. | Consistent room occupancy is necessary for a financially healthy housing and dining system. | Occupancy will be evaluated annually and trends kept of the break-even occupancy and actual occupancy. Actual occupancy is targeted at 90%. | Average annual occupancy for fiscal 2014 was 96%. |

Appendix B

Long-Term Demand, Fiscal Projections, & Assumptions

- Demand projections & ability to manage system occupancy
 - Continue to guarantee housing to new freshmen and transfer students.
 - Demand projections take into account first-year class sizes and projected Washington high school graduation rates staying steady for the next 10 years.
 - Assumes stable WWU enrollment levels for the next 10 years in consideration of growth within University planning
 - Manage housing spaces using triples, and handling students returning to campus and from Whatcom Community College on a space available basis.

- Residence Hall room and board rate increases
 - Assumptions for rate increases consider students' total cost of education and range annually from 3.5% – 5.0% percent range.

- Apartment rental rate increases
 - Local Bellingham apartment rental rates have increased approximately 4.5% over the past two years, and vacancy rates have tightened somewhat over the same time period. Demand for Birnam Wood double occupancy apartments remains strong.
 - A proposed private off campus student-focused project would target upper division students.
 - Birnam Wood has potential as faculty housing, particularly for new faculty and staff relocating over the summer and in need of short-term accommodations.

- General revenue & expense assumptions

The assumed growth rates for revenues and operating expenses in the fiscal projections average 3.43% and 3.32% respectively. The rate may increase to absorb construction and other costs if they begin to rise as the economy continues to recover.

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

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Deborah DeWees, Senior Director of Alumni & Communications and Executive Director of the Alumni Association

DATE: December 12, 2014

SUBJECT: **Campaign Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Deborah DeWees, Senior Director of Alumni & Communications and Executive Director of the Alumni Association, 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 Steve Swan, V.P. for University Relations and Community Development

DATE: December 12, 2014

SUBJECT: **Olympia Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Steve Swan, V. P. for University Relations and Community Development and Becca Kenna-Schenk, Director of Government Relations, will give an update on the upcoming 2015 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: Friday, December 12, 2014
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: Sue Sharpe, Chair, Board Committee on Trustees
DATE: Friday, December 12, 2014
SUBJECT: **Board Committee on Trustees Report**
PURPOSE: Information Item

Purpose of Submittal:

Chair Sharpe will report to members of the Board of Trustees and the university president and his staff topics related to the Board Committee on Trustees.

**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 12, 2014

SUBJECT: Academic Affairs Report:

PURPOSE: Information Item

Purpose of Submittal:

During the past few years, Western Washington University has had the opportunity to return to the recruitment of tenure track faculty and has successfully hired a number of well-qualified new faculty members.

A status report about tenure track faculty recruitment during the current academic year is provided below.

Hiring Status by College (all open searches)
As of 11/12/2014

| College | Search Stage | Interview | Grand Total |
|--------------------|--------------|-----------|-------------|
| CBE | 3 | 1 | 4 |
| CFPA | 4 | | 4 |
| CHSS | 4 | 1 | 5 |
| CSE | 10 | 2 | 12 |
| FAIR | 2 | | 2 |
| WCE | 2 | | 2 |
| Grand Total | 25 | 4 | 29 |

Hiring Status by Department

| COLLEGE | DEPARTMENT | Search Stage | Interview | Grand Total |
|--------------------|--|--------------|-----------|-------------|
| CBE | Economics Department | 2 | | 2 |
| | Accounting Department | | 1 | 1 |
| | Management | 1 | | 1 |
| CBE Total | | 3 | 1 | 4 |
| CFPA | Art Department | 2 | | 2 |
| | Music Department | 1 | | 1 |
| | Theater and Dance | 1 | | 1 |
| CFPA Total | | 4 | | 4 |
| CHSS | PEHR | 2 | 1 | 3 |
| | Sociology Department | 1 | | 1 |
| | Journalism Department | 1 | | 1 |
| CHSS Total | | 4 | 1 | 5 |
| CSE | Math Department | 2 | | 2 |
| | Chemistry Department | 1 | 2 | 3 |
| | Engineering and Design Department | 2 | | 2 |
| | Computer Science Department | 4 | | 4 |
| | Geology Department | 1 | | 1 |
| CSE Total | | 10 | 2 | 12 |
| FAIR | Fairhaven College | 2 | | 2 |
| FAIR Total | | 2 | | 2 |
| WCE | Department of Special Education and Education Leadership | 1 | | 1 |
| | Elementary Education Department | 1 | | 1 |
| WCE Total | | 2 | | 2 |
| Grand Total | | 25 | 4 | 29 |

**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 12, 2014

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, 2014 – September 30, 2014 and fiscal year 2014/15

Supporting Information:

- Grant awards/totals for the period 7/1/14 – 9/30/14
- Grant awards for the fiscal year 2014/15

Grant Awards for the Period 07/01/14 – 09/30/14

The total amount of grants and contracts received this period was \$4,727,305.69. This includes both new awards and additions to existing awards.

| Department | Award Total | Awards | Additions |
|--------------------------|---------------------|---------------|------------------|
| AMSEC | 218,883.00 | 1 | |
| Anthropology | 11,955.00 | | 1 |
| Biology | 52,501.69 | 3 | |
| Border Policy | 14,001.00 | 1 | |
| Canadian American | 24,400.00 | 2 | |
| Chemistry | 645,000.00 | 4 | |
| Engineering Tech | 114,600.00 | 2 | |
| Environ. Sciences | 65,537.00 | 1 | 1 |
| Environ. Studies | 305,353.00 | 3 | 1 |
| Facing the Future | 97,278.00 | 1 | |
| Geology | 106,186.00 | 1 | 1 |
| History | 477,992.00 | | 2 |
| Inst. for Energy Studies | 55,448.00 | 1 | |
| Physics | 319,880.00 | 2 | |
| Psychology | 577,120.00 | 2 | |
| SPMC | 1,244,711.00 | 5 | 2 |
| Woodring | 396,460.00 | 1 | 2 |
| Total | 4,727,305.69 | 30 | 10 |

| | GRANT AWARDS FOR THE PERIOD | | | July, August, September 2014 | | | |
|-------|--|------------|------------|------------------------------|----------------|--------------------------|------------|
| | | NEW | ADD'L | FUNDING | | | DEPT. |
| FUND | DESCRIPTION | FUNDS | FUNDS | AGENCY | P.I. | DEPARTMENT | TOTAL |
| 56336 | Nooksack River Flow Computer Modeling | 39,837.00 | | Nooksack Tribal Council | R. Mitchell | Geology | 39,837.00 |
| 56337 | Predictive Aflatoxin Testing | 25,857.16 | | WA Research Foundation | M. Brodhagen | Biology | 25,857.16 |
| 55105 | Linkages Between Ocean Carbonate Chemistry and Plankton | 30,000.00 | | UW | J. Apple | SPMC | 30,000.00 |
| 51592 | Single Crystal X-Ray Diffractometer | 300,000.00 | | NSF | J. Gilbertson | Chemistry | 300,000.00 |
| 55104 | Development of Fastners for Aircraft Interiors | 100,000.00 | | JCATI | N. Hoekstra | Engineering | 100,000.00 |
| 54110 | Process, Arrange, and Catalog Archives | | 25,009.00 | NPS | R. Jimerson | History | 25,009.00 |
| 51176 | Atomic Level Properties of Naonscale Metal Phosphides | 218,883.00 | | NSF | M. Bussell | AMSEC | 218,883.00 |
| 51171 | Rosario Segment of the Cretaceous Alisitos Oceanic Arc | | 66,349.00 | NSF | S. DeBari | Geology | 66,349.00 |
| 51158 | Abrupt Environmental Change on North Pacific Human Ecosystem | | 11,955.00 | NSF | S. Campbell | Anthropology | 11,955.00 |
| 51593 | Imagaing Center - SPMS | 176,589.00 | | NSF | B. Bingham | SPMC | 176,589.00 |
| 51175 | Environmental Stress and ROS-based Signaling | 599,638.00 | | NSF | S. Strom | SPMC | 599,638.00 |
| 51149 | Year 4 - Chemical Signaling among Intertidal Organisms | | 148,800.00 | NSF | K. Van Alstyne | SPMC | 148,800.00 |
| | | | | | | | |
| 51594 | Research Experience for Undergrads | 270,000.00 | | NSF | C. Spiegel | Chemistry | 270,000.00 |
| 54581 | Cascadia Subduction Zone Earthquake and Tsunami Scenario | 29,717.00 | | FEMA | R. Paci-Green | Environmental Studies | 29,717.00 |
| 51177 | Climate Risk Governance and Polycentrism in the US | 218,121.00 | | NSF | T. Abel | Environmental Studies | 218,121.00 |
| 56339 | Sulfone and Silicon Based Methods | 60,000.00 | | Dreyfus Foundation | G. O'Neil | Chemistry | 60,000.00 |
| 51178 | CAREER: Systematic Kniematic Survey | 268,887.00 | | NSF | K. Covey | Physics | 268,887.00 |
| 56338 | DNA Scat Analysis Puntledge Seals | 13,030.93 | | K'omoks First Nation | D. Schwarz | Biology | 13,030.93 |
| 55790 | Adv Training-Sustainable Energy | 55,448.00 | | BTC | A. Bunn | Inst. For Energy Studies | 55,448.00 |
| 55101 | Add to Model Tsunami/Earthquake Impacts | | 22,679.00 | UW | S. Miles | Environmental Studies | 22,679.00 |
| 51179 | Research: Student Reasoning Skills | 50,993.00 | | NSF | A. Boudreaux | Physics | 50,993.00 |
| 56340 | Measuring pulse of Gulf of Alaska | 87,788.00 | | NPRB | S. Strom | SPMC | 87,788.00 |
| 55783 | Addition to Collaborative Schools for Innovation & Success | | 46,460.00 | OSPI | J. Carney | Woodring | 46,460.00 |
| | | | | | | | |
| 56342 | 2014 Greening the Border Study | 14,001.00 | | Crossborder Group | L. Trautman | Border Policy | 14,001.00 |
| 56341 | Peripheral Mechanism of Mutant Huntingtin Function | 514,875.00 | | CHDI Foundation | J. Carroll | Psychology | 514,875.00 |
| 55789 | Western States Lepidoptera Diagnostic Center | 13,613.60 | | WA Dept. of Ag | M. Peterson | Biology | 13,613.60 |
| 54110 | Add to Archives at the Western Archeological and Conservation Center | | 452,983.00 | NPS | R. Jimmerson | History | 452,983.00 |
| 54113 | Advancing Climate Literacy through In- and Pre-service Science Educators | 193,817.00 | | NOAA | J. Apple | SPMC | 193,817.00 |
| 56707 | Add to Pacific Center for Ocean Science Education Excellence | | 8,079.00 | Univ of OR | J. Apple | SPMC | 8,079.00 |
| 54582 | FEMA Region 10 Risk/Threat Analysis Report Development | 34,836.00 | | FEMA | R. Paci-Green | Environmental Studies | 34,836.00 |
| 56330 | Add to Restoration Monitoring in the Stillaguamish Delta | | 57,870.00 | The Nature Conservancy | J. Rybczyk | Environmental Sciences | 57,870.00 |

1,742,917.16

1,123,123.93

| | | | | | | | |
|-------|--|------------|------------|---------------------------------|-----------------|---------------------------|------------|
| 56344 | Globalization and Borders | 10,000.00 | | University of Victoria | D. Alper | Canadian American Studies | 10,000.00 |
| 55107 | Evaluation of Narrow Buffers for Narrow Agricultural Wagerways | 7,667.00 | | WSU | L. Bodensteiner | Environmental Sciences | 7,667.00 |
| 56755 | Quebec Guest Lecturer | 14,400.00 | | Intnational Relations of Quebec | D. Alper | Canadian American Studies | 14,400.00 |
| 54583 | Smart Wireless Windows for Green Buildings | 15,000.00 | | US EPA | D. Patrick | Chemistry | 15,000.00 |
| 55791 | Northwest Advanced Renewables Alliance | 97,278.00 | | WSU | K. Corrigan | Facing the Future | 97,278.00 |
| 54114 | Biomethane for Transportation | 14,600.00 | | US EPA | E. Leonhardt | Engineering Tech | 14,600.00 |
| 52551 | Year 5 - Long Term Training: Rehabilitation Counseling '10-'15 | | 150,000.00 | US DOE | B. Boland | Woodring | 150,000.00 |
| 52552 | Year 1 - Long Term Training: Rehabilitation Counseling '14 - '19 | 200,000.00 | | US DOE | B. Boland | Woodring | 200,000.00 |
| 56345 | Project 2 - Peripheral Mechanism of Mutant Huntingtin Function | 62,245.00 | | CHDI Foundation | J. Carroll | Psychology | 62,245.00 |
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1,861,264.60

4,727,305.69

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 12, 2014
SUBJECT: **Admissions and Enrollment Summary**
PURPOSE: Information Item

Purpose of Submittal

To provide a general update on enrollment and admissions

December 2014 Enrollment and Admissions Report

Prepared by Clara Capron,
Assistant Vice President for Enrollment and Student Services

Final Fall Enrollment Numbers

Western Washington University's Fall 2014 freshman class was the most culturally diverse in the history of the university. Of 2,784 freshmen, there were 793 students of color, or 28.5 percent. This compared to 2,792 freshmen for Fall 2013, with 711 students of color at 25.5 percent. We had an 8.8 percent increase in first-generation freshmen and a 34% increase in College Bound Scholars. The average freshman GPA increased from 3.42 to 3.43; the transfer average GPA increased from 3.23 to 3.26. Of 998 new transfer students for Fall 2014, 215 were students of color. The increase in transfer students is partially attributable to moving our transfer application deadline up from April 1, to March 1, to encourage earlier applications.

Total fall enrollment at Western for Fall Quarter 2015 was just over 15,000 students at 15,060. This compared to a total Fall 2013 enrolment of 14,950. Therefore, total student headcount increased by 110 from last fall on campus, State funded. However, FTE was only up by 31. Regarding residency, 89 percent of new students are resident, or in-state, with 11 percent from out of state, including international students. We enrolled students from 41 states and international students from across the globe. Nearly 74 percent of transfer students came directly from a state community college, lead by Whatcom, Bellevue, Skagit, Everett and Olympic community colleges. Leading counties of residence for students are King, Snohomish, Whatcom and Pierce counties.

Fall Recruitment Travel

Beginning in late September 2014 and concluding in late November 2014, an enthusiastic team of Admissions Counselors attended 370 high school visits and over 225 college fairs, which serves as one of the busiest travel seasons in the history of our office. We connected with prospective freshman, transfer and international students, as well as prospective families of students. Visits spanned the entire state of Washington and included out of state visits in Oregon, California, Arizona, New Mexico, Colorado, Alaska, Utah, Nevada, Idaho, Montana, Hawaii, and Canada.

International Outreach

International recruitment efforts this fall included both on- and off-campus visit programs and web-based promotion of Western in China. Our newly hired International Admissions Advisor visited the international advising offices at seven partner community colleges to build awareness of Western as an option for their transfer students and familiarize them with Western's strengths. Admissions representatives also attended 10 International Transfer Fairs at community colleges in the Seattle area. International Connections Day, held on campus November 14, provided 35 international students, advisors and parents with an opportunity to tour campus, learn about the admissions process, hear from current international students, enjoy lunch in the dining hall and tour the international cluster in Buchanan Towers. Last month we launched our online partnership with Zinch China (a college search website in China) which has already resulted in 72 leads in our first month. These students have specifically opted-in to learn more about Western after finding out about us on the Zinch platform. To further support these initiatives, Admissions is currently working on gathering international student profiles and video, building our presence in Chinese social media, and providing an option to experience our virtual campus tour in Chinese.

Western Fall Welcome

Western Fall Welcome was held on Saturday, October 25th, 2014, with over 1,020 students and their families in attendance. In our second-largest showing in the last five years, 420 prospective students attended. In addition, we increased our attendance numbers for out of state students, students of color, and first generation students compared to last year.

After noting a decrease in attendance at the Campus Fair and Application Workshop last year, we replaced these activities with an informal meet-and-greet in the Miller Collaborative Space. Students and families could stop by and speak with an Admissions Counselor, ask questions, have refreshments, and pick up information. It was a huge success which we will retain on the agenda for next year.

Other changes included creating a separate location for out of state student check in, which allowed for a targeted welcome, and adding a second Financial Aid session and a Transfer session. Residence Halls were open for nearly the entire program, instead of open for only a few hours, which was popular and well received. Admissions partnered with New Student Services and Family Outreach to create joint signs and a more cohesive day for both programs, which eliminated confusion among our guests and reduced overlapping staff work. We also offered the Western Express, a bus that brought approximately 30 students from the Seattle area to campus, who might not have been able to attend due to transportation/financial barriers.

Champions of Diversity

Once again, Western Washington University was proud to lead the way among 4-year public universities in Washington in awarding scholarship dollars to Champions of Diversity nominees. This year, the number of 2-year MAP (Multicultural Achievement Program) scholarships awarded increased from 6 to 7. This enabled us to strategically offer scholarships to the 7 academically gifted students who listed both Western and UW-Seattle as their top college choices. These 7 students have an average high school GPA of 3.78. In addition to their academic accomplishments as Champions of Diversity nominees, these students have also demonstrated leadership excellence in the area of diversity and inclusion in their communities, and are eager to bring these passions and skills to their college campuses for Fall 2015. During the Champions of Diversity Awards Ceremony on December 3, before a packed audience of proud families and friends, community members, and business supporters from the Skagit Valley and Island County regions, Western announced awards of \$6,000 in scholarships to 7 academically talented, diverse students from these areas. Western offered the most scholarships (7), the highest single award (\$6,000), and the highest overall total (\$42,000).

UNIVERSITY ADVANCEMENT REPORT

DECEMBER 2014



We've been immersed in a whirlwind of excitement and activities over the past two months as we've publicly launched our Western Stands for Washington campaign – including the announcement of our new, \$60 million target – welcomed multiple wonderful gifts and enjoyed engaging with our various constituencies. From an early autumn dedication of the new Robert S. Harrington Multipurpose Field to the early winter Seattle-based Western Leadership Forum and atmospheric gala dinners, the celebrations just haven't stopped. It's an incredible way to enter into the holiday season and a wonderful way to acknowledge our gratitude for an inspiring and successful year.

CAMPAIGN RESULTS THROUGH OCT. 31, 2014



ADVANCEMENT FAST FACTS

SEP 1 - OCT. 31, 2014

Since early September, we secured **eight** new major gifts adding **\$3,723,277.37** to the campaign total.

We received **2,035** annual fund gifts from **1,468** donors, generating **\$442,291.24**.

Alumni Association memberships currently stand at **2,940** members.

A direct mail effort to **more than 6,000** recipients generated an impressive response rate: **977 gifts** for a grand total of **\$99,006.98**.

Four Alumni Association-hosted events drew **422** attendees, and **9.4%** of them contributed a gift – **40 gifts** in total – within 30 days of attending an event.

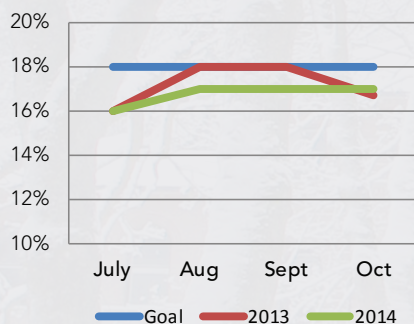
Reaching out and touching many – we made **47,067 phone calls** during September and October – our Phonathon secured **706 pledges** totalling **\$42,356.00**. Even better: **20%** of the pledges were from brand new donors.

GROWING AWARENESS

The Western Stands for Washington Campaign launch resulted in impressive spikes in activity across our communications channels, from enhanced email open rates to social media engagement and website traffic. Western expanded its visibility to 9.7 million people in the greater Seattle market, southwards to Portland and throughout Whatcom County. This effort was supported by advertising on buses and billboards, in newspapers and magazines, on radio and online. With resources focused on the campaign, we saw a surge of people visiting the new campaign website at WWU4WA.org. The first week of the public launch saw 1,508 visitors to the campaign website, with a record 3,147 engagements (likes, clicks, shares) on social media posts promoting the campaign.

On the public relations front, campaign honorary co-chair, Seattle Mariners CEO and former WWU trustee Howard Lincoln appeared on KING 5's New Day Northwest to talk about the Western Stands for Washington Campaign. He shared his love of the university, talked about why the Western experience is so unique for students and relayed the message that supporting the campaign is really about supporting all of Washington's families.

EMAIL OPEN RATES



WWU4WA.ORG



WWU CAMPAIGN ADS



ENGAGEMENT METRICS

DURING THE WEEK OF THE CAMPAIGN LAUNCH, IN ORDER TO CULTIVATE A CULTURE OF PHILANTHROPY ON CAMPUS, UNIVERSITY ADVANCEMENT SET UP A DEDICATED BOOTH IN RED SQUARE, WHERE STUDENTS SIGNED MORE THAN

150 THANK YOU CARDS TO DONORS.



THE NEWLY-REBRANDED VIKING BLEND WOODS COFFEE HAS PERKED UP SALES:

400 BAGS SOLD

IN SEPTEMBER AND OCTOBER, WITH \$1 FROM EVERY SALE GOING TO STUDENT SCHOLARSHIPS. THIS TWO-MONTH FIGURE NEARLY OUTPACES ANNUAL TOTALS FOR EACH OF THE LAST THREE YEARS.

ENGAGEMENT

EVENTS FROM SEPT-NOV 2014



The Harrington clan gathers for the dedication

The official dedication of the Robert S. Harrington Multipurpose Field took place on Saturday, September 27. Nearly 200 soccer alumni, donors and campus partners came together to celebrate the completion of the facility.

Prior to the men's game, the Harrington Family, who provided a \$1 million gift to support the purchase and installation of the turf, were honored by President Bruce Shepard and other VIPs. Alumnus Scott Harrington ('98), his brother Mark, their mother Dolores and their families were all present for the festivities which featured the unveiling of a plaque; a pre-game march into the field by Western students festooned in WWU scarves; and an on-field, pre-game ceremony.

Fifty donors and student athletes came together to celebrate scholarships at the annual Athletic Scholarship Dinner on October 7. Senior women's basketball player Sydney Donaldson spoke to the assembled audience on the difference that scholarship support played in her decision to attend Western and the impact it has on all student-athletes.

During the week of October 20, multiple activities created excitement and engagement around the launch of the public phase of the Western Stands for Washington Campaign including:

- Seventeen blue bows adorned Western's campus, identifying buildings, classrooms, labs and other spaces – including the Mann Family Skybridge, Fraser Hall and the EY Global Learning Center – made possible through our donors' generosity.
- Donors, faculty, staff and students attended a facilitated lunch discussion about the importance and impact of philanthropy.
- Faculty and students whose programs benefit from philanthropy, hosted small group sessions across campus. Donors and key volunteers had the opportunity to learn about a dozen WWU programs, ask questions and meet the recipients of private support.
- There was an afternoon, campus-wide launch party prior to the first gala dinner on October 24: nearly 500 WWU employees, students, donors and community members came together to hear President Shepard announce the new \$60 million campaign goal. Festive food, music and plenty of prizes – not to mention giant balloons and stiltwalkers – highlighted the atmospheric celebration.



New campaign goal announced at campus launch



At gala dinner, President Shepard stands for Western

To mark the campaign going public, we held gala launch dinners in both Bellingham and Seattle, on October 24 and November 7, respectively. Nearly 400 people attended the two events, at which deans, faculty and students "Stood for Washington," acknowledging key campaign donors and gifts of particular note and impact.

On November 6 – between dinners – we presented the Western Leadership Forum in Seattle. Former Washington Governor and recent U.S. Ambassador to China Gary Locke was the featured guest, interviewed on stage by alumna and emcee Joyce Taylor ('84). The annual scholarship fundraising event generated more than \$100,000 to support Western students.

On November 12, the College of Humanities and Social Sciences and the History department hosted a reception launching an initiative to ensure that Jewish history and Holocaust education are taught at Western. Among the 40 attendees were members of the local Jewish community – including Rabbi Josh Samuels from Bellingham's Congregation Beth Israel – and Keith Dvorchik, executive director of the Jewish Federation of Greater Seattle. Reception attendees enjoyed welcoming remarks by Dr. LeaAnn Martin, CHSS dean, and

ENGAGEMENT CONTINUED

an overview of the initiative by Dr. Steven Garfinkle, acting chair of the History department. The goal of the project is to create an endowment to fund a new professorship as well as providing enriching opportunities for students, faculty, community members and K-12 students and teachers to explore and discuss Jewish history and Holocaust education.

Following the reception, guests attended Holocaust survivor Noémi Ban's talk sponsored by Woodring's Center for Education, Equity and Diversity and the Northwest Center for Holocaust, Genocide and Ethnocide Education (NCHGEE). At that event, Woodring College of Education Dean Francisco Rios, Professor Bruce Larson and Provost Brent Carbajal honored Noémi Ban and Ray Wolpow, recently retired director of NCHGEE, with the announcement that Woodring College will donate a tree and plaque in their honor in the gardens of the new Congregation Beth Israel Synagogue.

The Annual WWU @ Seattle Sounders event was once again a sell-out event with nearly 300 members of the Western community filling up the Hawks Nest in

CenturyLink Field on September 27. The crowd enjoyed an afternoon BBQ lunch at Pyramid Alehouse – complete with Western gear and prizes – before watching the Sounders overtake the Chivas USA team 4-2. In addition, we sold 175 co-branded Western/Sounders scarves, generating a tidy \$1,050 for student scholarships.

The day after the Sounders match, WWU Vikings in the greater Seattle-Olympia area had another excuse to get together with an oenophilic event at Mill Lane Winery. This event also sold out, with people gathering to enjoy wine tastings paired with gourmet food and excellent conversation.

Heading into October, our bi-annual Curling in Canada event on the 11th drew some new faces onto the ice for another – you guessed it – SOLD OUT EVENT! Curling is one of our most engaging and popular programs, creating the opportunity for our Western community members to have some fun, learn a new skill and get to know each other.



A jubilant participant curls in Canada

A less athletic but no less energetic event followed a week later with Jazz in North Bend. Mike Allen, the director of Western's jazz program, and the WWU Alumni Jazz Band joined an impressive lineup of renowned musicians from around the Pacific Northwest. The Boxley's lounge was vibrating with music, energy and laughter as the WWU crowd took over in a joyous reunion of music and arts alumni.

WWU Alumni Association's robust career networking program has evolved into a model that continues to gain traction with both students and alums. Our most recent Ask an Alum event on November 5 had 103 registrants; of those who were able to attend, 64 were students and 23 were alumni mentors. Students were split into small groups to have career-focused conversations with mentors for 20 minutes before rotating to another mentor. Finally, those dedicated individual meetings were complemented with open networking time. In addition, the alumni mentors were welcomed to campus VIP-style by students who accompanied them through the evening's activities. The feedback was overwhelming and positive from both students and mentors.



Western wave: Bringing WWU love to Sounders FC

UPCOMING EVENTS

DECEMBER 4, 5, 8, 9 – President’s Holiday Open Houses at the home of Bruce and Cyndie Shepard

DECEMBER 6 – Zoolights at Point Defiance Zoo in Tacoma

DECEMBER 11 – Senior Celebration on Campus

DECEMBER 12 – Foundation Board Meeting on Campus

DECEMBER 13 – Graduation on Campus

JANUARY 3 – WWU Court of Dreams @ Portland Trail Blazers

JANUARY 14 – Western Speaker Series: Ignite Your Intellect in Bellingham

JANUARY 28 – Western in DC

JANUARY 30 – WA wine and beer tasting in Tokyo

FEBRUARY 5 – WWU Hoops @ SPU

FEBRUARY 12 - WWU vs. CWU Hoops @ Carver Gym

FEBRUARY 12 - Scholarship lunch for Seattle-area scholarship donors at the Seattle Sheraton

FEBRUARY 21 – Western Speaker Series: Ignite Your Intellect at Paine Field in Mukilteo

FEBRUARY 21-22 – Mt. Baker Ski Trip and Legendary Banked Slalom (après-ski reception on February 21)

MARCH 8 – Nature hike and bird-watching in Everett

MARCH 12 – Scholarship dinner for Bellingham-area scholarships donors on Campus

MARCH 14 – Curling in Canada

MARCH 21-22 – Western in Arizona



WHY WE DO WHAT WE DO...



ago sparked a larger conversation, one that led to Dreier working with CFFPA and Woodring College of Education to establish CREATE's dynamic program – and to help extend WWU's educational outreach with an integral additional element: a set of wheels.

Included in the Dreier gift is a much-needed van that shuttles the MOTley (Multicultural Outreach Tour) crew, Western's theater education outreach program: every Monday, Wednesday and Friday, the team takes a 45-minute performance – one that showcases multicultural stories with a focus on social and community themes such as anti-bullying, honesty and heroes – to Whatcom, Skagit and Island elementary schools. They perform for school-wide assemblies and follow up with an open Q&A, reaching “between six and eight thousand kids – plus their teachers and administrators – every spring, putting Western on their minds.” says Currier. On Tuesday and Thursdays, the van makes similar runs, this time to participate in after-school programs at middle schools. Between the CREATE and outreach programs, new dreams continue to reach classrooms and school auditoriums.

“I want to make art an integral part of my classroom,” said Maria Battor, one of this year's CREATE scholars. “I cannot wait to gain more tools to make that possible. This scholarship is a huge honor, and I will use it to spread art as far and as wide as possible.”

Western's innovative CREATE (Combining Research, Education and the Arts with Teachers and Entrepreneurs) program, an interdisciplinary initiative that trains students to be arts educators and to utilize arts education across K-12 classes, kicked off in the spring of 2013 and is already making its mark. “Our goal is to make CREATE scholars more desirable – and hire-able – in an increasingly competitive job market,” says Western theatre and dance department associate professor Deb Currier of the intensively experiential curriculum. “Last year, all ten of our scholars got internships or employments, often through the

connections they made by participating in the program.”

The inception and implementation of CREATE is, in large part due to WWU alum and theater arts major Doug Dreier ('96), his wife Hanna and his parents Chad and Ginni, who together have contributed \$250,000 to the College of Fine and Performing Arts, funding CREATE's infrastructure, curriculum and scholarships. “After graduation, Doug taught fifth grade at an inner-city school for a year or two and realized what his creative arts training at Western gave him as a teacher,” explains Currier. A series of dialogues between Currier and Dreier several years

NEW FACES IN ADVANCEMENT

Katie Harrison, who is joining us as interim program assistant for development and leadership gifts, is a Bellingham native returning to the Northwest after two years living in Fairbanks, Alaska. She worked in the Math Department at the University of Alaska, Fairbanks where she coordinated the Math Bridge Program, a

program established to improve math pass rates of traditionally “at risk” students. Prior to this, she worked as a Unit Coordinator in the Emergency Room at St. Joseph's Hospital here in Bellingham, and prior to this she was teaching English abroad, both in Thailand and in Turkey! Katie graduated from the Evergreen State College in Olympia with a Bachelor's degree in Humanities and Philosophy and is completing coursework to enter a graduate program in Nutrition.

Also joining our team is Jordyn LeBlonde, who recently accepted a one year appointment as campaign initiatives assistant. Jordyn is a '14 Western graduate with a degree in Marine Biology and minors in Chemistry and Environmental Science, and served as a student ambassador within the Foundation for the past two years. She will help to develop, plan and implement special initiatives in support of the Western Stands for Washington Campaign.



**Capital Program Report
Board of Trustees
December 12, 2014**

MAJOR/INTERMEDIATE CAPITAL PROJECTS

• **Nash Hall Renovation**

The work for summer 2014 phase 1 was completed and students have moved back into Nash Hall. Phase 2 for floors 4 – 6 work is scheduled for summer 2015.

• **Classroom and Lab Upgrades – Phase 2**

There are three components to this work:

1. PW679A included classroom and lab upgrades in the Ross Engineering Technology Building and the Biology Building. Work for this project was completed summer 2014.
2. The PW679 construction documents have been advertised for bids. The project includes upgrades to rooms in the Performing Arts Center, Bond Hall and Fine Arts, with alternates in Fairhaven Academic, the Ross Engineering Technology Building, and the Environmental Studies Center. The scope of work includes media equipment, interior finishes and furnishings, electrical, mechanical and plumbing, fire alarm and suppression. A construction contract is scheduled to be brought to the February 2015 Board of Trustees meeting for approval. Work is scheduled to start Spring Quarter 2015, and to be completed and operational by Summer Quarter 2015.
3. The final component, PW681, will renovate Haggard Hall rooms 245 and 246 to create a multi-disciplinary digital media center to be used for teaching and student work. The project also includes work in Parks Hall to develop a mediated finance lab (mock trading floor). The project is currently out for bid. A construction contract is scheduled to be brought to the February 2015 Board of Trustees meeting for approval. Construction is scheduled to start Spring Quarter 2015 in Parks Hall (completed by the start of Summer Quarter), and Summer Quarter 2015 in Haggard Hall (completed by the start of Fall Quarter).

• **Performing Arts Center Exterior Renewal**

The majority of the work bid this summer was substantially complete by the start of Fall Quarter. Additional work was required on the west wall of the Concert Hall to address corrosion discovered within the wall. This additional work has been completed except for painting the wall which has been delayed due to the weather. A second public works project will go out for bid in 2015 to complete remaining components of the Performing Arts Center Exterior Renewal project.

• **North Campus Utility Upgrade**

Work has continued to go well on the North Campus Utility Upgrade project. Old Main, Edens Hall, Edens North, Higginson, Nash, and Mathes have all been upgraded to the new 12,470 volt system. New emergency generators have also been installed and connected at Old Main and Ross Engineering Technology. The contractor will continue to remove the last of the old 4,160 volt

distribution equipment and install the last new emergency generator. The project is scheduled to be complete spring 2015.

- **Ridgeway Kappa Renovation**

The project is currently out for bid. This project will address demolition, hazardous material abatement, installation of new fire suppression and automatic central fire alarm systems, seismic mitigation, and replacement of interior finishes. A construction contract is scheduled to be brought to the February 2015 Board of Trustees meeting for approval. Construction is scheduled to start Spring Quarter 2015 and be complete by start of Fall Quarter 2015.

2015-17 CAPITAL PLANNING PROCESS

The 2015-2017 capital planning process culminated with submission of the 2015-2025 Capital Plan and 2015-2017 Capital Budget Request to the Office of Financial Management (OFM) in early September.

As part of the State's Higher Education Capital Budget request process, Western submitted four separate proposals for all Major (>\$5M) (excluding the Carver Academic Renovation*) and Intermediate (>\$2M and <\$5M) projects being requested in the 2015-2017 Capital Budget Request. These included: Science Building Renovation and Addition Predesign, IT Network Update, 2015-17 Classroom and Lab Upgrades, and Campus Wireless Upgrade. These proposals were scored by evaluation panels working with OFM. OFM chose to drop the IT Network Update and Campus Wireless Upgrade proposals prior to sharing the results of the scoring process because they considered these projects primarily standalone equipment requests and, as such, they are not eligible to be considered for Capital Budget funding. They indicated that these were more appropriately requested through the operating budget. We are working with the other institutions and with the Council of Presidents to get better direction on how to proceed with these kinds of requests. The 2014 Higher Education Prioritization Process Scoring Results are attached.

*OFM has developed a list of 'Pipeline' projects that include all identified projects that have been scored for predesign or design but were not funded for construction. Carver is one of 16 projects on this list. Projects on this list will be merged into the current scoring results, and OFM will develop a four-year higher education institutions single prioritized list following steps delineated in RCW 28B.77.070.

The single prioritized list will be released at the discretion of the Governor, but no later than the start of the 2015 Legislative Session. The Governor's budget is due to the legislature no later than December 20, 2014.

For more information contact Rick Benner, Director of Office of Facilities Development and Capital Budget, at 360-650-3550 or visit the Office of Facilities Development and Capital Budget website: <http://www.wvu.edu/wwuarchitect/>.

Attachment: 2014 Higher Education Prioritization Process Scoring Results (WVU in yellow)

2014 Higher Education Prioritization Process Scoring Results

4-Year Institutions

1 October 2014

| Growth: Major Projects (84 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|--|---|--|-------|-----------------|--------------------------------------|
| EWU | Science II | | 54.5 | Design | \$5.7 |
| EWU | Science I - Design/Build | | 53.6 | D-C | \$71.8 |
| UW | Life Sciences Building I | | 51.5 | Construction | \$40.0 |
| UW | Computer Sciences & Engineering Expansion | | 49.9 | D-C | \$40.0 |

| Renovation: Major Projects (95 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|--|----------------------------|--|-------|-----------------|--------------------------------------|
| EWU | Washington Street Facility | | 32.5 | P-C | \$10.0 |

| Renovation: Stand-Alone Projects (70 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|--|---|--|-------|-----------------|--------------------------------------|
| WWU | 2015-17 Classroom & Lab Upgrades | | 54.2 | D-C | \$4.9 |
| CWU | Lind Hall | | 51.0 | D-C | \$4.9 |
| UW | School of Nursing Simulation Learning Lab | | 46.4 | Construction | \$4.0 |
| CWU | Bouillon Hall Renovation | | 44.8 | D-C | \$5.0 |
| CWU | Old Heat Renovation | | 44.1 | D-C | \$5.0 |
| UW | Health Sciences Interprofessional Education Classroom Phase I | | 37.5 | Construction | \$3.0 |

| Research: Major Projects (102 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|---|--|--|-------|-----------------|--------------------------------------|
| WSU | Plant Sciences Building | | 52.7 | Design | \$6.6 |
| WSU | Plant Growth (Greenhouse Facilities) Phase I | | 50.9 | Design | \$2.3 |

| Acquisitions Category (58 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|---|----------------------------------|--|-------|-----------------|--------------------------------------|
| WSU | Spokane Real Estate Acquisitions | | 14.3 | P-D | \$1.9 |

| Infrastructure Category (59 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|---|---|--|-------|-----------------|--------------------------------------|
| EWU | Infrastructure Renewal I | | 43.2 | D-C | \$26.4 |
| CWU | Combined Utilities | | 38.7 | D-C | \$11.9 |
| WSU | Underground Utilities Replacement - Colorado St | | 19.4 | D-C | \$4.9 |

| Predesign Category (64 points maximum) | | | Score | Phase Requested | 2015-17 Agency Request (in millions) |
|--|---|--|-------|-----------------|--------------------------------------|
| TESC | Seminar I Renovation | | 41.5 | Predesign | \$0.4 |
| WWU | Science Building Renovation & Addition | | 38.4 | P-D | \$8.8 |
| WSU | Tri-Cities Academic Building | | 36.2 | Predesign | \$0.4 |
| UW | Health Sciences Education Phase I - T-Wing Renovation/Addition | | 34.4 | P-D | \$8.0 |
| EWU | Renovate Science - Predesign | | 33.3 | Predesign | \$0.4 |
| WSU | Riverpoint - Technology Data Center & Facilities Maintenance Building | | 32.6 | Predesign | \$0.3 |
| WSU | Fulmer Hall Renovation | | 29.3 | Predesign | \$0.5 |
| WSU | Computational & Data Sciences Building | | 29.2 | Predesign | \$0.6 |
| WSU | Greenhouses Replacement | | 28.7 | Predesign | \$0.4 |
| UW | UW Bothell - Phase 4 - Academic STEM | | 28.3 | Predesign | \$0.5 |
| CWU | Northwest Tribal Fisheries and Cultural Center | | 25.3 | Predesign | \$0.3 |

Legend:

P-C = Predesign through Construction

P-D = Predesign through Design

D-C = Design through Construction

Notes:

1. This list represents the results of the process as required by RCW 43.88D.010 and the projects submitted to OFM in August 2014 only for scoring or for inclusion on the list using a score received within the previous two biennia as required by RCW 43.88D.010 or proviso in the 2013-15 capital budget.
2. RCW 28B.77.070 requires OFM to release a single prioritized list of ALL capital projects requested by the four-year institutions, except minor works and predesigns. However, the statute does not specify a date by which the list must be released. Consequently, the release date shall be determined by the Governor, but shall be no later than the start of the 2015 Legislative Session.
3. Institutions had the option to indicate their top 3 priority projects in each of the three groups of categories: for Major Design and/or Construction (10, 8, and 6 points) and Stand-alone Design and/or Construction (6, 4, and 2 points) projects: 1) Growth, Renovation, Replacement, & Research, and; 2) Predesign, Acquisition, and Infrastructure (6, 4, and 2 points).
4. Stand-alone projects range between \$2-\$5 million and generally occur within one biennium.
5. Major projects are \$5 million or more. Predesigns are required only on projects more than \$10 million.

**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 12, 2014

SUBJECT: **University Relations and Community Development 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

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 office assisted the WWU Foundation is helping to publicize the Western Stands for Washington Campaign fundraising campaign, including former trustee Howard Lincoln's [interview on KING 5](#) and in other media such as the [Bellingham Herald](#). Media highlighted Western, including Seattle Times Higher Education reporter Katherine Long's account of her [son's transition as a freshman at Western](#). Research by WWU Biology Professor Ben Miner on [why star fish are dying](#) ran in media across the nation and internationally. Shannon Point Marine Research Center scientist Jennifer Purcell was interviewed by Smithsonian magazine on [jellyfish blooms](#) increasing globally. We also assisted in media coverage of [Compass 2 Campus](#), which also received media attention because of its [transport to Central Washington University](#).
- Publications Editor **Mary Gallagher** focused on the next edition of [Window magazine](#), which will be on campus in early December. The issue includes several stories highlighting the Western Stands for Washington Campaign, including a profile of Anne and Andrea d'Aquino, a story exploring the future of energy as imagined by the students, faculty and supporters of the Institute for Energy Studies, and a student's first-person account of a service-learning trip to Rwanda. Other year-end projects will include the next edition of the [Soundings family newsletter](#), support materials for our Government Relations staff to take to Olympia, and a wide variety of informational and promotional materials.
- Visual journalist **Rhys Logan** has been producing compelling, effective videos, such as his ["I am a Western student,"](#) and photos, such as his [panoramic photos of campus](#).
- New Media Coordinator Matthew Anderson led continued expansion and improvement of social media at Western, including its use in creative ways, such as [#WesternCares](#), our [large quarterly campaign](#) to ease WWU community members' stress at the end of the quarter which gets underway Dec. 1. The effort, which flows from the campus Social Media Committee, [first started this past spring](#). Its goal is threefold: 1) to ease others' stress directly, 2) to encourage those in the WWU community to do nice things for each other, and 3) to let folks know what events are taking place on campus to help them relax, de-stress and get through the end of the quarter with ease. It has been a massive success so far, and we're excited to see where it goes. Our goal is to expand it from a series of events at the end of the quarter into a movement that characterizes life at WWU yearlong.
- **John Thompson**, marketing manager, led efforts to complete work on the fall branding posters (in both large and small sizes), the Viking Union display case, and the December Horizon Air print ad. All three items feature Western Chemistry major Diane Perez of Nooksack.
- **Graphic design projects** by **Chris Baker** and **Derek Bryson** with campus offices included: online flash ads for Seattle Times special higher education publication for Admissions; media guides for men's and women's basketball, Athletics; template design for Fairhaven College of Interdisciplinary Studies website and Extended Education website; design work on the Campus Directory; posters, banners and digital ads for Sustainability Week; design for the plaque for Harrington Field; Woodring College department brochure, and design support for student

publications Klipsun Magazine and Planet Magazine, as well as numerous other design projects for offices across campus.

GOVERNMENT RELATIONS

State Relations

Since the last Board meeting in October, the Office of Government Relations has been working to promote WWU's 2015-17 biennial operating and capital budget requests. With this aim, we continue to meet with legislators and OFM and legislative staff on and off campus to discuss Western's top priorities for the next two years, including capital funding for the renovation of the Carver Academic Complex, compensation increases for faculty and staff, and increased investment in support services that drive student success. Western will have an opportunity to present these budget requests to the House Higher Education Committee on December 5th.

We are pleased to announce the hiring of Joe Timmons as Western's new assistant director of government relations. He will start his new position at WWU on December 15th after completing his work as the board coordinator and policy analyst for Sound Transit in Seattle. He also has professional experience working as the communications coordinator and policy aide for King County Councilmember Julia Patterson, and as a community liaison for former U.S. Congressman Jay Inslee.

Joe is a 2007 graduate of WWU where he majored in political science. He also earned a Master's Degree in Public Administration from the Evans School of Public Affairs at the University of Washington in 2011. Joe succeeds Brad Sherman who served as the government relations specialist from January 3, 2013, through June of 2014, and resigned to accept a position as a staff analyst for the Republican Caucus in Olympia.

The 2014 Ralph Munro Seminar for Civic Education held October 7-9 was another huge success, with extremely engaging panel discussion and audience participation. Former Senators Jim Kastama, Mary Margaret Haugen and Bill Finkbeiner comprised the first panel, followed by panels that included Representative Hans Zeiger, Republican from the 25th Legislative District and Member of the House Higher Education Committee, Dr. Bill Lyne, WWU Professor and President of United Faculty of Washington State, Susannah Malarkey, Executive Director of the Technology Alliance, Seattle Times Columnist Danny Westneat, Karen Lee, Chair of Western's Board of Trustees and CEO Pioneer Human Services, Nancy Steiger, CEO/Chief Mission Officer, Peace Health, and Chase Franklin, Western Trustee and Entrepreneur/Startup Advisor/Investor. This year's Seminar was again aired on TVW.

We are also proud of the fact that Sherry Burkey received the 2014 Marvin D. "Swede" Johnson Achievement Award at CASE's Higher Education Government Relations Conference on December 4 in New Orleans. The award is presented annually by CASE (Council for Advancement and Support of Education), the American Association of Community College (AACC), the Association of Public Land-grant Universities (APLU) and the American Association of State Colleges and Universities (AASCU).

The Marvin D. "Swede" Johnson Award recognizes an individual who has made an extraordinary contribution to the advancement, quality, and effectiveness of state relations on behalf of their institution or state system of higher education. Sherry is the first winner from the Pacific Northwest and only the fifth woman selected in the 20 year history of the award.

Federal Relations

The 2014 election cycle included renewed attention to state and federal higher education policy issues, as growing concerns over escalating tuition rates and student debt led candidates to spar over tuition policies, state investment in higher education operating support and student aid programs and approaches to making student debt manageable. When the dust cleared at the national level Republicans gained majority in the U.S. Senate and increased their majority by at least 11 seats in the House.

Little is expected to change in the new Congress in terms of leadership on higher education priorities in the House, but big change will no doubt take place on the Senate side where Senator Lamar Alexander (R-TN) is expected to succeed Sen. Tom Harkin (D-Iowa) as chairman of the Education and Workforce Committee and its Postsecondary Subcommittee. Sen. Alexander has served as both U.S. Secretary of Education and as president of the University of Tennessee and is expected to change the legislative agenda and the trajectory of the Higher Education Act reauthorization. He has stated that simplification, deregulation and innovation are his top higher education priorities. Washington Senator Patty Murray is expected to be the key minority leader on higher education related issues.

While it appears that some impactful legislation for higher education will be introduced in the next Congress, it appears to be unlikely that a full-blown reauthorization of the Higher Education Act will occur in the next two years.

SMALL BUSINESS DEVELOPMENT CENTER

WWU Small Business Development Center summary of deliverables for IDC contract for 2014 Q3 and YTD

| | Q3 | YTD Q3 | 2013 Q3 YTD |
|---|------------|---------------|--------------------|
| Total distinct business clients served | 132 | 294 | 377 |
| Total distinct non-client businesses served | 44 | 129 | 372 |
| Total businesses served by WWU SBDC | 176 | 423 | 749 |
| <hr/> | | | |
| Total direct advising hours to clients | 346 | 1742 | 1315 |
| Total leveraged hours to clients | 52 | 700 | 588 |
| Total hours to clients | 398 | 2442 | 1903 |
| <hr/> | | | |
| Expansion | | | |
| # of SBDC clients | 41 | 73 | 138 |
| # of hours | 106 | 492 | 1103 |
| <hr/> | | | |
| Retention | | | |
| # of SBDC clients | 50 | 112 | 114 |
| # of hours | 156 | 917 | 380 |
| <hr/> | | | |
| Start-Up | | | |
| # of SBDC clients | 41 | 109 | 121 |
| # of hours | 84 | 333 | 420 |

Total jobs represented by SBDC clients YTD

34% are Expansion Jobs

63% are Retention Jobs

3% are Startup Jobs

WASHINGTON CAMPUS COMPACT

The Washington Campus Compact held its Annual Network Meeting on December 1st and 2nd at the Henry M. Jackson Conference Center at Everett Community College. The WCC Annual Meeting included participation from 22 member schools from the State of Washington.

The first day of the conference was a faculty institute that focused on the theme *"Integrating Diversity, Equity, and Social Justice into the Curriculum."* The theme for the second day was *"Effectively Communicating the Value and Impacts of Student Engagement and Leveraging/Generating Resources to Support Student Engagement on Your Campus."* In the second day session campus teams of communications/public relations, development/advancement and service learning/student engagement professionals networked with other campus teams to develop strategies to increase student engagement, improve student success, and to communicate those successes.

The Washington Campus Compact is located at Western Washington University and led by executive director Jennifer Hine.

WEB COMMUNICATION TECHNOLOGY

Since October the WebTech department has trained four new student employees while creating 10 new web sites. Our new students have completed numerous Dreamweaver trainings for Western staff. We have also started work on the final two college Drupal sites, Fairhaven and CBE. In addition we further automated the testing and deployment of Drupal sites to free up a little more staff time and make our sites even more failure resistant. Our transition to newer technology servers in the .NET realm is also almost complete.

WESTERN WINDOW TV SHOW

A synopsis of the latest episode of the Western Window TV Show, which is telecast on KVOS-TV via Comcast Cable on the west side of the mountains is listed below. This student intern produced show is aired Sunday mornings at 7 a.m. on KVOS and is also televised daily in Bellingham on BTV-10. Here is a [link](#) to the archives of the shows.

Episode 19 is a special "Office Hours" episode of Western Window. In this show, Dan Purdy, director of Western's Front Door to Discovery program, discusses compassion and suffering in the workplace with Joanne DeMark, a leadership development specialist at WWU, and Jason Kanov, a Western professor of management who studies the nature and impact of suffering and compassion in the workplace. Here is a [link](#) to the show.



FINANCIAL REPORT

2014





FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

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November 22, 2014

Karen Lee, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Chair Lee:

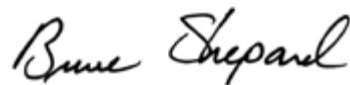
We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of WWU are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted 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, 2014. 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. WWU is the highest-ranking public, master's-granting university in the Pacific Northwest and on the list of Highly Ranked Universities that Operate Most Efficiently according to the 2013 U.S. News & World Report college rankings and is one of the 100 best values in public colleges according to Kiplinger's Personal Finance. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand".

Sincerely,



Bruce Shepard
President



Richard Van Den Hul
Vice President for Business and Financial Affairs

BOARD OF TRUSTEES*

Karen Lee, Chair
Sue Sharpe, Vice Chair
Dick Thompson, Secretary
Carly Roberts, Student Trustee
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Steve Swan, Vice President for University Relations
Stephanie Bowers, Vice President for University Advancement
Brian Sullivan, Assistant Vice President for Business and Financial Affairs
Teresa Hart, Director, Financial Services
Michael Ulrich, Accounting Manager, Accounting Services

**as of Independent Auditors' report date*



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, 2014 and 2013. 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 and on the list of Highly Ranked Universities that Operate Most Efficiently according to the 2013 U.S. News & World Report college rankings and is one of the 100 best values in public colleges according to Kiplinger's Personal Finance.

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 2014

WWU's overall financial position continued to improve in fiscal 2014, although at a slower pace than in recent fiscal years.

Significant actions which occurred during the fiscal year include the following (discussed in further detail on the following pages):

- Tuition and fees revenue increased 3.2%
- State operating appropriation increased 28%
- Salaries expense increased 6.3%, the first increase for certain employment categories since 2008
- Gain on endowments increased 29.9%

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 reports all assets and liabilities of WWU.

A summarized comparison of WWU's assets, liabilities and net position as of June 30, 2014, 2013 and 2012, follows:

| | 2014 | 2013 | 2012 |
|---------------------------|-------------------------------|----------------|----------------|
| | <i>(Dollars in thousands)</i> | | |
| Assets | | | |
| Current assets | \$69,672 | \$70,480 | \$77,396 |
| Noncurrent assets | 74,821 | 60,448 | 47,515 |
| Capital assets, net | <u>433,147</u> | <u>441,496</u> | <u>442,253</u> |
| Total assets | \$577,640 | \$572,424 | \$567,164 |
| Deferred outflows | 1,641 | 1,798 | 1,644 |
| Liabilities | | | |
| Current Liabilities | 34,869 | 31,450 | 30,634 |
| Noncurrent Liabilities | <u>82,740</u> | <u>84,919</u> | <u>85,777</u> |
| Total liabilities | <u>117,609</u> | <u>116,369</u> | <u>116,411</u> |
| Total net position | <u>461,672</u> | <u>457,853</u> | <u>452,397</u> |

Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable. The slight decrease (1.1%) in fiscal year (FY) 2014 over FY 2013 is the result of an overall decrease in Accounts Receivable, Net. The 8.9% decrease in FY 2013 current assets over FY 2012 is primarily due to reallocating cash and short-term investments to long-term investments.

The 23.8% FY 2014 increase in noncurrent assets (excluding capital assets) is attributable to increased investments, as WWU continues to build an appropriate level of operating reserve (see ratios later in this section). Noncurrent assets (excluding capital assets) increased by 27.2% in FY 2013 as a result of the shift to longer-term investments.

Liabilities

The excess of current assets over current liabilities of \$34.8 million in FY 2014 and \$39.0 million in FY 2013 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 10.9% in FY 2014, which (apart from the accounts payable increase related to timing of payments) is attributable to higher unearned revenue. In addition, the Recreation Center Refinancing bonds issued in FY 2012 called for no principal payments until FY 2015, increasing the current portion of bonds and notes payable in FY 14. Current liabilities increased 2.7% in FY 2013 compared to FY 2012 due to increases in unearned revenue and deposits payable offset by decreased accounts payable and accrued liabilities.

Long-term liabilities decreased overall 2.6% (\$2.2 million) during fiscal 2014 due largely to decreases in scheduled principal payments (\$4.4 million) for Housing and Dining Bonds and leases payable. This decrease was offset by a \$2.2 million increase in the unfunded long-term net pension obligation to certain state employees based on the estimated State Actuarial valuation of the plan (Note 19). 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 in the unfunded long-term net pension obligation.

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, 2014, 2013 and 2012 are summarized as follows:

| | 2014 | 2013 | 2012 |
|----------------------------------|-------------------------------|------------------|------------------|
| | <i>(Dollars in thousands)</i> | | |
| Net Position | | | |
| Net investment in capital assets | \$357,384 | \$363,010 | \$361,803 |
| Restricted: | | | |
| Nonexpendable | 4,631 | 4,629 | 4,629 |
| Expendable | 25,943 | 28,701 | 30,419 |
| Unrestricted | <u>73,714</u> | <u>61,513</u> | <u>55,546</u> |
| Total net position | <u>\$461,672</u> | <u>\$457,853</u> | <u>\$452,397</u> |

Net investment in capital assets decreased by \$5.6 million during fiscal 2014 primarily due to a \$14.9 million increase of capital assets, a \$23.2 million increase in depreciation and a \$3.6 million decrease in debt. The increase in capital assets includes fixed asset disposals of \$1.2 million. During fiscal 2014, WWU granted \$723 thousand in land and \$523 thousand in buildings, net to the Western Crossing Development (WCD) which, is a private/public partnership joint venture with the Port of Bellingham to develop a WWU waterfront campus (See Note 23). 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.

Highlights of fiscal 2014 capital asset activities:

- Construction in process decreased \$13.9 million primarily due to the completions of the ESCO project, Fraser Hall renovation, classroom and lab upgrades and Housing and Dining System renovations.
- Capital improvements to buildings increased \$17.2 million primarily due to completed renovations to the Fraser Hall lecture rooms, Classroom and Lab, Housing and Dining System residence halls.
- Long-term debt used to purchase capital assets decreased \$4.4 million due to principal payments and amortizations.
- Capital assets were reduced by \$1.2 million due to granting land and building to the Western Crossing Development joint venture.

Restricted nonexpendable includes donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. During fiscal 2014, \$2,008 in additional restricted funds were acquired for endowments. When comparing fiscal 2013 to fiscal 2012, there were no changes to restricted nonexpendable net position as no new additions to endowments were received.

Restricted expendable net position decreased \$2.8 million during fiscal 2014 primarily due to spending \$2.3 million existing capital resources. Restricted expendable net position decreased \$1.7 million during FY 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.

Unrestricted net position increased \$12.2 million during FY 2014 mainly due to higher tuition and fee revenue, longer start-up periods for new programs funded by one-time funds and departmental savings under budget due to timing of new hires. Unrestricted net position increased \$6.0 million in fiscal 2013 primarily due to increases in tuition and fees and timing of new programs and hires

Capital Assets and Related Debt

During FY 2014 and 2013, \$14.9 million and \$18.3 million (excluding library materials and equipment) respectively, were expended on capital improvements compared to \$16.7 million in FY 2012. Of the \$14.9 million in capital improvements during FY 2014, \$5.7 million was spent on the Harrington Field, \$6.1 million was expended on residence halls and dining facilities upgrades, \$1.6 million was spent on Fraser Hall renovations and \$576 thousand on Carver Gym design work. In addition to the \$14.9 million, the dining contract with Aramark provides a financial commitment up to \$7.3 million in dining area improvements. FY 2014, 2013 and 2012, the financial commitments were valued at \$769 thousand, \$535 thousand and \$4.3 million in capitalized improvements, respectively.

Specific projects completed or underway in fiscal 2014 include:

Carver Gymnasium Renovations The estimated \$80.4 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.

Harrington Field The \$6.4 million project was substantially complete at June 30, 2014. The facility includes 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 was partially funded by \$1.1 million acquired through the FY 2012 Wade King Recreation Center bond refunding along with a \$1.1 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.

Fraser Hall renovation. The \$4.9 million project completed in FY 2014 involved a major renovation of the 13,000 square foot lecture hall. Improvements include replacement of the mechanical and electrical systems, new fire sprinklers, an upgrade of the building exterior envelope, installation of an elevator, new restrooms, new fixed seating and casework, interior upgrades, installation of a new water line to the building and associated site improvements for ADA access.

Energy Services Performance Contract (ESCO) The \$3.2 million project completed in FY 2014 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, 2014, 2013 and 2012 follows:

| | 2014 | 2013 | 2012 |
|-------------------------------------|-------------------------------|------------------|------------------|
| | <i>(Dollars in thousands)</i> | | |
| Operating revenues | \$200,594 | \$196,935 | \$182,100 |
| Operating expenses | <u>268,756</u> | <u>255,965</u> | <u>235,518</u> |
| Operating loss | (68,162) | (\$59,030) | (53,418) |
| State appropriations revenue | 52,028 | 40,052 | 43,083 |
| Other nonoperating revenues | 17,369 | 16,460 | 14,468 |
| Nonoperating expenses | <u>(3,554)</u> | <u>(3,653)</u> | <u>(4,277)</u> |
| (Loss) income before other revenues | (2,319) | (\$6,166) | (144) |
| Other revenues | <u>6,138</u> | <u>11,627</u> | <u>15,628</u> |
| Increase in net position | 3,819 | 5,456 | 15,484 |
| Net position, beginning of year | <u>457,853</u> | <u>452,397</u> | <u>436,913</u> |
| Net position, end of year | <u>\$461,672</u> | <u>\$457,853</u> | <u>\$452,397</u> |

WWU relies primarily on student tuition and fees and state appropriations as revenue sources to support operations.

Student tuition and fees, which includes tuition fees and mandatory fees (such as Service and Activity Fee and Health Service Fee) increased slightly (3.2%) during FY 2014. 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. Resident undergraduate students comprise approximately 85% of the total student population. The tuition rate for resident undergraduates remained constant in FY 2014, following a 16% increase in FY 2013 over FY 2012. Enrollment increased to an average annual headcount of 14,316 in FY 2014 compared to 14,237 in FY 2013 and 14,292 students in FY 2012. Net tuition revenue (student tuition and fees less scholarship allowances) increased 2.8% in FY 2014 and 11.2% in FY 2013. WWU provided \$27.2 million in scholarship allowances in FY 2014, compared to \$25.8 million in FY 2013 and \$20.7 million in FY 2012.

During FY 2014, state appropriations used for operations (which includes capital appropriations that are used for operations) increased \$12.0 million compared to declines during FY 2013 and 2012 of \$3.0 million and \$20.7 million, respectively. The increase during FY 2014 represents a 29.9% increase in state funding for WWU. The slight decrease in FY 2013 is attributable to an easing of state budget pressures experienced in the preceding several years. WWU's state supported budgeted enrollments (FTE) were 11,762 for FY 2014 and 2013 while the actual average FTE was 12,565 for FY 2014 and 12,516 for FY 2013. The differences of 803 in FY 2014 and 754 in FY 2013 non-budgeted FTE were not supported by State dollars.

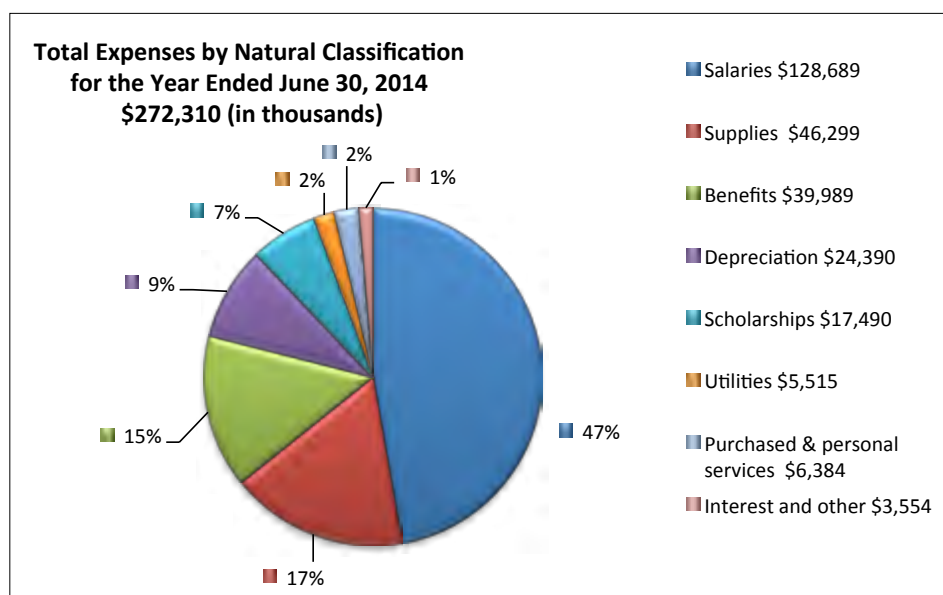
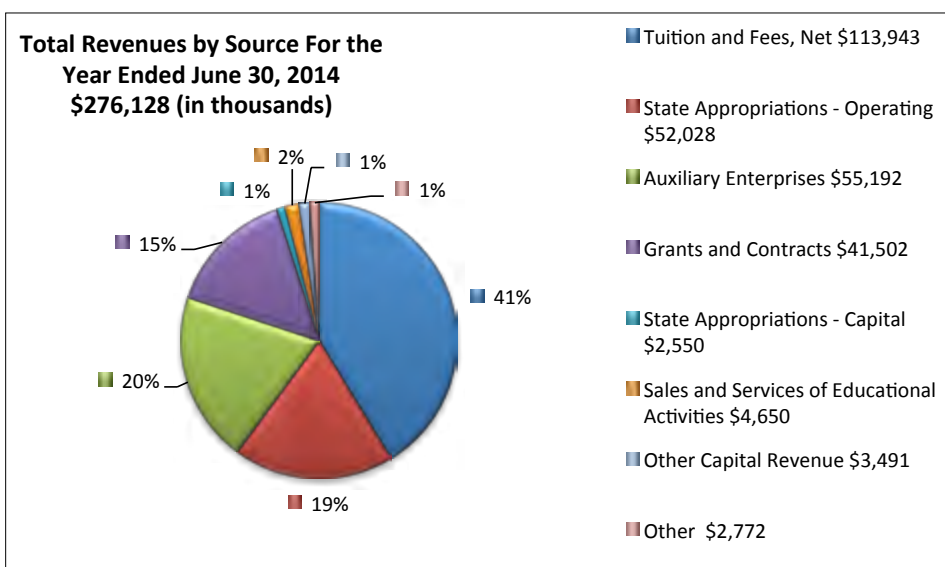
Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and WWU is entitled to receive the cash. Capital appropriations decreased \$5.9 million when comparing FY 2014 to FY 2013 due to the completion of state supported capital projects that began during FY 2013. Capital appropriations increased slightly by \$1.5 million during FY 2013 as no new major capital projects were underway.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund and capital contributions received. The increase of \$287 thousand during FY 2014 is due to a \$234 thousand increase in capital contributions provided by Aramark combined with Permanent Fund investment earnings. The decrease of \$4.6 million during FY 2013 is attributable primarily to a \$3.8 million reduction in the Aramark capital contribution. Aramark had agreed to provide a total of \$7.3 million for renovations and improvements to several dining areas as a part of their dining contract. The majority of the improvements are reported as capitalized assets on the Statement of Net Position.

During FY 2014, the Foundation pledged \$92 thousand in additional support to the Harrington Field project, payable during FY 2015. In April 2012, WWU received a \$1.0 million unconditional pledged gift from the Foundation for the purpose of design and construction of the Harrington Field project. The \$1.0 million 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.

The following graphs illustrate revenues by source for the years ended June 30, 2014 and 2013:



WWU's operating expense increased \$12.8 million during FY 2014 largely due to a \$9.8 million increase in salaries and benefits combined with a \$2.7 million increase in depreciation. WWU's operating expenses increased \$20.4 million during FY 2013 when compared to FY 2012. The FY 2013 increase is primarily due to salary and supplies increases.

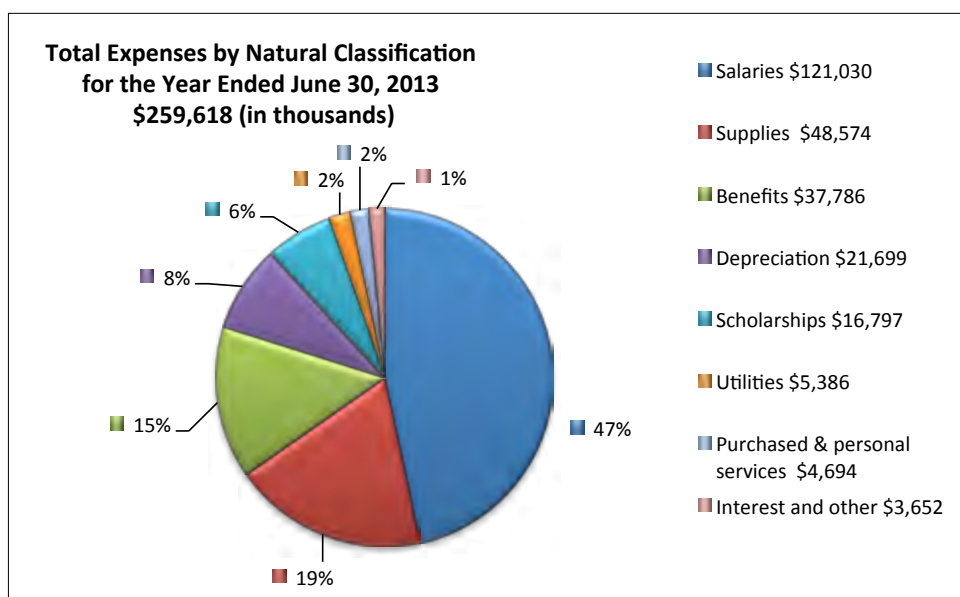
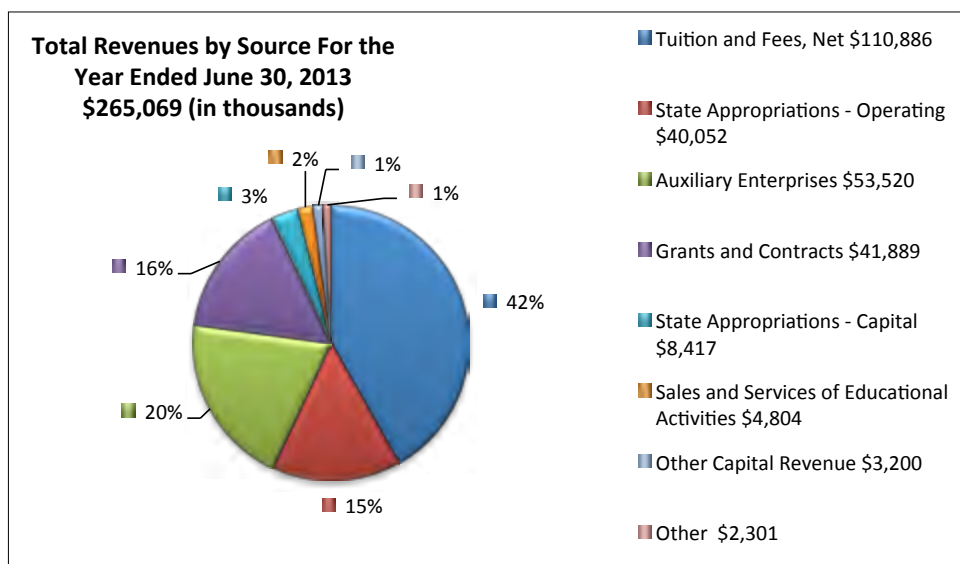
The \$9.8 million increase in salary and wages and benefits expense in FY 2014 is attributable to negotiated faculty and certain staff salary increases of \$6.3 million combined with the \$2.2 million amortization of the unfunded net pension obligation. Salary and wages and benefits expense increased \$7.7 million when comparing FY 2013 to FY 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 net pension obligation.

Scholarships and fellowships increased slightly during FY 2014 by \$693 thousand and increased \$1.5 million during FY 2013 due to increases in financial aid payments made directly to students.

Supplies and materials decreased \$2.3 million during FY 2014 partly due to reduced purchases of noncapital furnishing and equipment. Supplies and materials increased \$9.2 million in FY 2013 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 FY 2012 as a capital asset but were later deemed to not meet the capitalization threshold.

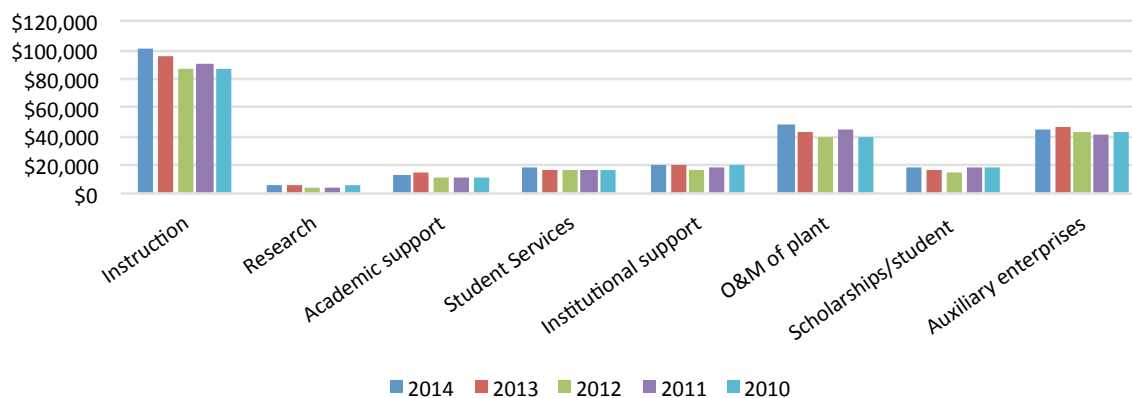
Depreciation expense increased \$2.7 million during FY 2014 and \$1.7 million during FY 2013 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2014 and 2013:



The following graph illustrate expenses by natural classification for the years ended June 30, 2014, 2013, 2012, 2011, 2010:

Operating Expenses by Function
5 year trend
(in thousands)



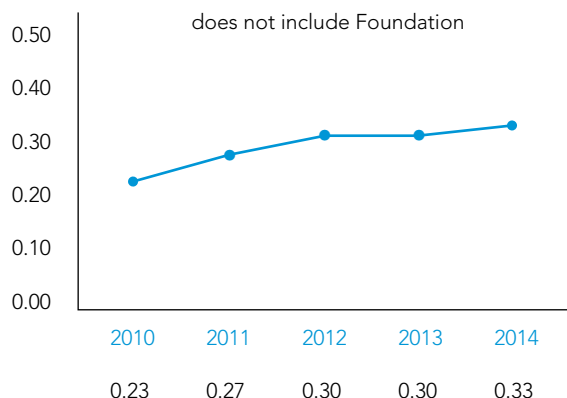
Operating Loss

WWU’s operating losses were \$68.2 million in FY 2014, an increase of \$9.1 million from FY 2013, and \$59.0 million in FY 2013, an increase of \$5.6 million from FY 2012. GASB Statement 34 requires that State appropriations and Federal Pell grants be classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating losses would have been \$1.2 million in fiscal 2014 and \$4.5 million in fiscal 2013.

Financial Indicators

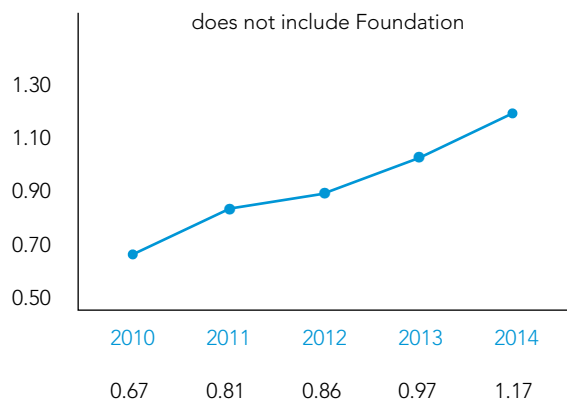
Primary Reserve Ratio

This ratio measures the financial strength of WWU by comparing expendable net position to total expenses, excluding the Foundation. A ratio of .40 or better is advisable from various studies to give institution the flexibility to transform an enterprise over the long-term. The ratio of .40 indicates that an institution has sufficient expendable resources to continue operations for approximately 120 days without any additional revenue or support. The .33 ratio indicates WWU has 3.3 months or roughly 100 days of expendable resources to cover operations in an unforeseen event.



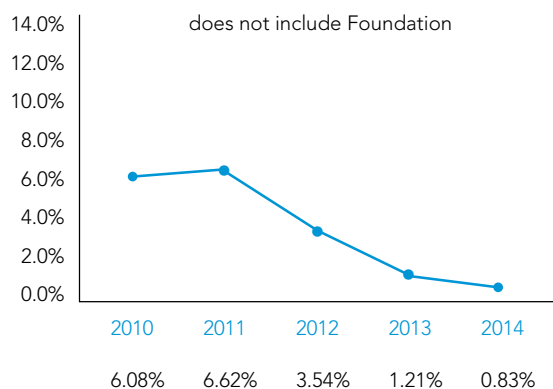
Viability Ratio

The Viability ratio measures the ability of the institution to liquidate debt from its expendable resources. A ratio of 1:1 or greater is recommended by various studies and indicates existing debt could be repaid from expendable resources available today.



Return on Net Position

This ratio shows whether the institution is better off financially than it was in previous years. This ratio is better applied over an extended period so that results over the long-term plans are measured. A decline in this ratio may be appropriate and even warranted if it reflects a strategy or policy changes at the state level.



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 cautious in their outlook, as the state revenue forecast is revenue neutral and the state Supreme Court has mandated a big increase in K-12 spending under the McCleary school-funding decision. In addition the Governor’s office recently asked higher education to submit budget proposals reflecting a 15% decrease.

Beginning in FY 2015, WWU will be required to record in its statements its share of the unfunded net pension liability. The liability is the difference between the total pension liability and the value of the assets that have been set aside in a pension plan to pay benefits to current employees, retirees, and the beneficiaries. Additionally, the new standard will require recording a larger pension expense than amounts reflected currently, with the immediate recognition of annual service costs as well as interest on the pension liability.

WWU will continue to seek capital funding from the state for the Carver Gymnasium renovation project. This project is estimated to be \$80.4 million and will increase WWU’s net investment in capital assets.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 21, 2014

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 the Western Washington University, Whatcom County, Washington, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the 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 financial statements of the Western Washington University Foundation, the discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as relates to the amount 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. 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 the 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 the Western Washington University, Washington, as of June 30, 2014 and 2013, 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 discussed in Note 1, the financial statements of Western Washington University, an agency of the state of Washington, 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 and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2014 and 2013, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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 and the other auditors 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". The signature is written in black ink on a white background.

TROY KELLEY
STATE AUDITOR

Statement of Net Position

Financial Report 2014

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 3) | \$41,777,144 | \$35,598,392 |
| Investments (Note 4) | 14,619,746 | 21,721,286 |
| Funds with State Treasurer (Note 5) | 4,008,042 | 3,132,895 |
| Interest receivable | 753,700 | 644,030 |
| Accounts receivable, net (Note 6) | 6,571,399 | 7,402,884 |
| Pledged gift receivable from the Foundation (Note 24) | 141,634 | 100,000 |
| Prepaid expenses | 344,863 | 510,507 |
| Inventories (Note 8) | <u>1,455,486</u> | <u>1,370,459</u> |
| Total current assets | 69,672,014 | 70,480,453 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents (Note 3) | 883,514 | 1,123,060 |
| Restricted investments (Note 4) | 8,938,542 | 9,243,645 |
| Investments (Note 4) | 52,946,032 | 38,501,691 |
| Due from State Treasurer | 3,192,149 | 2,902,710 |
| Student loans receivable, net (Note 7) | 7,921,302 | 7,711,713 |
| Pledged gift receivable from the Foundation (Note 24) | 819,412 | 864,314 |
| Non-depreciable capital assets (Note 9) | 21,850,996 | 36,500,470 |
| Depreciable capital assets, net (Note 9) | 411,295,551 | 404,995,776 |
| Other assets (Note 1) | <u>119,732</u> | <u>100,438</u> |
| Total noncurrent assets | <u>507,967,230</u> | <u>501,943,817</u> |
| Total assets | <u>577,639,244</u> | <u>572,424,270</u> |
| Deferred outflows | | |
| Deferred loss on bond refunding | <u>1,641,095</u> | <u>1,797,593</u> |
| Total deferred outflows | <u>1,641,095</u> | <u>1,797,593</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 11,443,526 | 9,527,565 |
| Deposits payable | 2,607,639 | 2,738,929 |
| Unearned revenues | 8,208,306 | 7,371,333 |
| Compensated absences (Note 11) | 7,968,633 | 7,768,373 |
| Current portion of bonds and notes payable (Notes 12,13,15) | 4,252,910 | 3,461,463 |
| Current portion of net pension obligations (Note 15,19) | 376,000 | 376,000 |
| Deposits held in custody for others | <u>11,877</u> | <u>205,890</u> |
| Total current liabilities | 34,868,891 | 31,449,553 |
| Noncurrent liabilities: | | |
| Long-term portion of bonds and notes payable (Note 12, 13,15) | 73,150,533 | 77,534,122 |
| Long-term net pension obligations (Note 15,19) | <u>9,589,408</u> | <u>7,384,970</u> |
| Total noncurrent liabilities | <u>82,739,941</u> | <u>84,919,092</u> |
| Total Liabilities | <u>117,608,832</u> | <u>116,368,645</u> |
| Net Position | | |
| Net investment in capital assets | 357,384,198 | 363,010,380 |
| Restricted for: | | |
| Nonexpendable: scholarships and professorships | 4,631,015 | 4,629,007 |
| Expendable: | | |
| Instruction and research | 2,448,499 | 2,855,267 |
| Loans | 14,234,250 | 14,321,853 |
| Capital Projects | 9,259,794 | 11,524,286 |
| Unrestricted | <u>73,713,751</u> | <u>61,512,425</u> |
| Total net position | <u>\$461,671,507</u> | <u>\$457,853,218</u> |

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Assets | | (Restated) |
| Cash and cash equivalents | \$702,080 | \$437,771 |
| Unconditional promises to give, net | 4,361,907 | 4,342,482 |
| Investments: | | |
| Operating investment pool | 13,133,188 | 10,757,553 |
| Endowment investment pool | 55,518,148 | 48,527,533 |
| Endowment real estate held for investment | 2,811,600 | 2,789,800 |
| Annuity and life income investments | 4,707,803 | 4,241,160 |
| Real property and notes receivable | <u>160,000</u> | <u>192,757</u> |
| Total investments | 76,330,739 | 66,508,803 |
| Other assets | 23,971 | 116,964 |
| Property and equipment, net | <u>549,303</u> | <u>569,285</u> |
| Total Assets | <u>81,968,000</u> | <u>71,975,305</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | 145,773 | 193,165 |
| Due to Western Washington University | 394,405 | 274,461 |
| Gift payable to Western Washington University, net | 878,725 | 964,314 |
| Annuity and life income obligations | 1,116,744 | 1,323,278 |
| Investments held in trust for Western Washington University | 12,390,142 | 10,719,104 |
| Contingent obligation to Northwest Indian College Foundation | <u>1,243,999</u> | <u>1,089,135</u> |
| Total Liabilities | 16,169,788 | 14,563,457 |
| Net Assets | | |
| Unrestricted | 16,277,142 | 14,230,832 |
| Temporarily restricted | 23,281,624 | 18,119,831 |
| Permanently restricted | <u>26,239,446</u> | <u>25,061,185</u> |
| Total Net Assets | <u>65,798,212</u> | <u>57,411,848</u> |
| Total Liabilities and Net Assets | <u>\$81,968,000</u> | <u>\$71,975,305</u> |

Statements of Revenues, Expenses, and Changes in Net Assets

Financial Report 2014

| | 2014 | 2013 |
|--|----------------------|----------------------|
| Operating Revenues | | |
| Student tuition and fees | \$141,124,174 | \$136,690,266 |
| Less scholarship allowances | <u>(27,181,020)</u> | <u>(25,804,362)</u> |
| Net student tuition and fees | 113,943,154 | 110,885,904 |
| Federal grants and contracts | 5,986,263 | 7,058,646 |
| State and local grants and contracts | 17,805,187 | 17,594,759 |
| Nongovernmental grants and contracts | 2,661,042 | 2,716,388 |
| Sales and services of educational activities | 4,650,219 | 4,804,365 |
| Interest earned on loans to students | 192,000 | 168,043 |
| Other operating revenue | 164,600 | 186,834 |
| Auxiliary enterprises | 61,608,600 | 59,582,226 |
| Less scholarship allowances | <u>(6,417,020)</u> | <u>(6,062,503)</u> |
| Net auxiliary enterprises | <u>55,191,580</u> | <u>53,519,723</u> |
| Total operating revenues | 200,594,045 | 196,934,662 |
| Operating Expenses | | |
| Salaries and wages | 128,689,182 | 121,029,531 |
| Benefits | 39,988,628 | 37,786,101 |
| Scholarships and fellowships | 17,489,523 | 16,796,678 |
| Utilities | 5,515,154 | 5,385,944 |
| Supplies and materials | 46,298,546 | 48,573,820 |
| Purchased services | 6,384,324 | 4,694,225 |
| Depreciation | <u>24,390,381</u> | <u>21,698,636</u> |
| Total operating expenses | <u>268,755,738</u> | <u>255,964,935</u> |
| Operating loss | (68,161,693) | (59,025,175) |
| Nonoperating Revenues (Expenses) | | |
| State appropriations | 52,028,184 | 40,052,232 |
| Federal Pell grant revenue | 14,952,723 | 14,514,274 |
| Investment income | 712,531 | 628,431 |
| Interest on indebtedness | (3,554,252) | (3,652,599) |
| Gain (loss) on endowments | 1,674,587 | 1,289,455 |
| Nonoperating rental property expense/income | <u>28,186</u> | <u>27,821</u> |
| Total nonoperating revenues (expenses) | <u>65,841,959</u> | <u>52,859,614</u> |
| Income (Loss) before other revenues | (2,319,734) | (6,165,561) |
| Other Revenues | | |
| Capital appropriations | 2,549,922 | 8,417,155 |
| Other capital revenue | 3,491,369 | 3,204,867 |
| Pledged gift revenue from the Foundation | <u>96,732</u> | <u>5,098</u> |
| Total other revenues | 6,138,023 | 11,627,120 |
| Increase in net position | 3,818,289 | 5,456,461 |
| Net position, beginning of year | <u>457,853,218</u> | <u>452,396,757</u> |
| Net position end of year | <u>\$461,671,507</u> | <u>\$457,853,218</u> |

Foundation Statement of Activities & Changes in Net Assets

Financial Report 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2014 Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Support and Revenue: | | | | |
| Contributions | \$272,388 | \$4,233,192 | \$1,178,261 | \$5,683,841 |
| In-kind services and facilities provided by | | | | |
| Western Washington University | 2,913,341 | | | 2,913,341 |
| Interest and dividends | 511,714 | 734,954 | | 1,246,668 |
| Net realized and unrealized gains on investments | 1,835,491 | 4,609,894 | | 6,445,385 |
| Return on annuity and life income investments | | 469,919 | | 469,919 |
| Change in valuation of annuity and life income obligations | | 70,378 | | 70,378 |
| Administrative fees | 651,592 | | | 651,592 |
| Fundraising events and other | 103,527 | 662,264 | | 765,791 |
| Total support and revenue before net assets released from restrictions | 6,288,053 | 10,780,601 | 1,178,261 | 18,246,915 |
| Net assets released from restrictions | 5,515,783 | (5,515,783) | | |
| Recovery of underwater endowments | 103,025 | (103,025) | | |
| Total Support and Revenue | 11,906,861 | 5,161,793 | 1,178,261 | 18,246,915 |
| Expenses: | | | | |
| Program services and grants | 6,090,507 | | | 6,090,507 |
| Management and general in-kind | 1,661,584 | | | 1,661,584 |
| Management and general - other | 303,762 | | | 303,762 |
| Fundraising in-kind | 1,251,757 | | | 1,251,757 |
| Fundraising - other | 552,941 | | | 552,941 |
| Total Expenses | 9,860,551 | | | 9,860,551 |
| Change in Net Assets | 2,046,310 | 5,161,793 | 1,178,261 | 8,386,364 |
| Net Assets, beginning of year (restated) | 14,230,832 | 18,119,831 | 25,061,185 | 57,411,848 |
| Net Assets, end of year | \$16,277,142 | \$23,281,624 | \$26,239,446 | \$65,798,212 |

Foundation Statement of Activities & Changes in Net Assets

Financial Report 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2013 Total (Restated) |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| 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 | <u>69,379</u> | <u>493,932</u> | <u> </u> | <u>563,311</u> |
| 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 | <u>31,292</u> | <u>(31,292)</u> | <u> </u> | <u> </u> |
| 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 | <u>782,843</u> | <u> </u> | <u> </u> | <u>782,843</u> |
| 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) | <u>10,904,221</u> | <u>16,961,391</u> | <u>23,331,653</u> | <u>51,197,265</u> |
| Net Assets, end of year | <u>\$14,230,832</u> | <u>\$18,119,831</u> | <u>\$25,061,185</u> | <u>\$57,411,848</u> |

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$113,938,036 | \$110,396,695 |
| Grants and contracts | 27,573,882 | 26,458,925 |
| Payments to vendors | (75,847,247) | (71,522,472) |
| Payments to employees for salaries and benefits | (163,902,435) | (157,737,351) |
| Loans issued to students | (1,894,366) | (1,422,760) |
| Collection of loans to students | 1,441,709 | 1,400,371 |
| Sales of auxiliary enterprises | 55,182,549 | 53,464,583 |
| Sales and services of educational activities | 6,440,765 | 4,787,788 |
| Interest received on loans to students | <u>356,600</u> | <u>354,877</u> |
| Net cash used by operating activities | (36,710,507) | (33,819,344) |
| Cash Flows from Noncapital Financing Activities | | |
| State appropriations | 51,644,304 | 40,081,177 |
| Direct Lending proceeds | 67,846,851 | 68,933,156 |
| Direct Lending disbursements | (67,828,397) | (68,844,444) |
| Federal Pell grant receipts | <u>14,952,723</u> | <u>14,514,274</u> |
| Net cash provided by noncapital financing activities | 66,615,481 | 54,684,163 |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (21,893,668) | (37,558,009) |
| Net proceeds from sales of investments | 16,530,556 | 23,156,049 |
| Interest received on investments | <u>602,861</u> | <u>547,281</u> |
| Net cash (used)/provided by investing activities | (4,760,251) | (13,854,679) |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from capital debt | | 9,374,908 |
| Interest earned on bond proceeds | | 3,103 |
| Capital appropriations | 2,644,362 | 8,860,599 |
| Other capital (expense)/revenue | (875,147) | 8,076,563 |
| Contributions and gifts in-kind | 3,496,467 | 733,670 |
| Proceeds from disposal of capital assets | 11,917 | 8,768 |
| Purchases of capital assets | (17,476,246) | (24,283,368) |
| Principal paid on capital debt | (3,565,748) | (12,800,256) |
| Interest paid on capital debt | (3,469,308) | (2,848,471) |
| Other activities | <u>28,186</u> | <u>33,280</u> |
| Net cash used by capital and related financing activities | (19,205,517) | (12,841,204) |
| Net increase/(decrease) in cash and cash equivalents | 5,939,206 | (5,831,064) |
| Cash and cash equivalents, beginning of year | <u>36,721,452</u> | <u>42,552,516</u> |
| Cash and cash equivalents, end of year | <u>\$42,660,658</u> | <u>\$36,721,452</u> |

Reconciliation of Operating Loss to Net Cash used by Operating Activities

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| | 2014 | 2013 |
|--|-----------------------|-----------------------|
| Operating loss | (\$68,161,693) | (\$59,025,175) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation expense | 24,390,381 | 21,698,636 |
| Gain on disposal of fixed assets | 1,235,116 | 2,621,739 |
| Changes in assets and liabilities: | | |
| Funds with the State Treasurer | | |
| Accounts receivable | 926,387 | (2,511,815) |
| Student loans receivable | (209,589) | 66,323 |
| Inventories | (85,027) | (83,754) |
| Prepaid expenses | 165,644 | (97,246) |
| Accounts payable and accrued expenses | 2,130,361 | 279,536 |
| Deferred revenue | 836,973 | 835,113 |
| Student and other deposits | (131,290) | 225,304 |
| Deposits held in custody | (212,467) | (105,438) |
| Compensated absences | 200,260 | (20,598) |
| Net pension obligation expense | <u>2,204,437</u> | <u>2,298,031</u> |
| Net cash used by operating activities | <u>(\$36,710,507)</u> | <u>(\$33,819,344)</u> |
| Supplemental disclosure of cash flow information | | |
| Acquisition of capital assets through accounts payable | <u>\$2,061,036</u> | <u>\$2,258,069</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, 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.

On July 1, 2013, WWU adopted GASB Statement No. 67 "Financial Reporting for Pension Plans-an amend-

ment of GASB Statement No. 25". The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year.

The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates, when such rates are determined. In that circumstance, it also will provide information about whether employers and non-employer contributing entities, if applicable, are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due.

As Statement No. 67 sets the standards for the retirement plans to follow which are held at the state level, there is no impact to the FY 2014 statements.

On July 1, 2013, WWU adopted GASB Statement No. 66 "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62". The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans,

and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

On July 2, 2013, WWU adopted GASB Statement No. 70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees". The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees.

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 2014 and fiscal 2013, \$0 and \$38,374 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 report-

ing 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 producing 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

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 in-

come 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, 2014 and 2013, the carrying amount of cash and cash equivalents is \$42,660,658 and \$36,721,452, respectively. These balances include restricted cash and cash equivalents of \$883,514 and \$825,604 in Recreation Center renewal and replacement funds at June 30, 2014 and 2013, respectively. 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 \$6,036,446 in certificates of deposits in pooled investments at June 30, 2014 and 2013, respectively. WWU held \$55,025,950 and \$49,662,050 in U.S. Agency and Treasury securities in the investment pool at June 30, 2014 and 2013, respectively.

The Housing and Dining System Renewal and Replacement fund held \$3,050,772 and \$3,048,012 as of June 30, 2014 and 2013, 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, 2014, WWU's Endowment funds are comprised of \$6,801,482 in donor restricted and unrestricted funds and \$5,588,660 in Quasi-endowments. As of June 30, 2013, the balances were \$5,942,281 and \$4,776,823 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, 2014 WWU had \$56,555,159 in US Agencies and Treasuries 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 3 years. WWU generally does not invest operating funds in securities maturing more than 5 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, 2014, WWU held the following in cash, cash equivalents and investments:

| Description | Fair Value | Weighted Average Maturity (in Years) |
|---------------------------------------|----------------------|--------------------------------------|
| WWU Investment Pool: | | |
| Cash & Cash Equivalents | \$42,660,658 | 0.001 |
| Time Certificates of Deposits (CDs) | 6,036,447 | 2.033 |
| U.S. Treasuries | 5,005,250 | 1.085 |
| U.S. Agencies | 50,020,700 | 2.657 |
| WWU Endowment Funds: | | |
| Cash & cash equivalents | 105,792 | |
| Fixed income investments: | | |
| U.S. Treasuries | 108,741 | 14.600 |
| U.S. Agencies | 524,885 | 4.700 |
| Other fixed income | 1,457,548 | n/a |
| Equity investments | 8,064,962 | n/a |
| Real estate | 600,105 | n/a |
| Alternative investments | 1,528,109 | n/a |
| Other Investments: | | |
| Renewal and Replacement Time CDs | 1,521,563 | 2.241 |
| Renewal and Replacement U.S. Agencies | 1,529,209 | 0.907 |
| Miscellaneous | 1,010 | n/a |
| TOTAL CASH AND INVESTMENTS | \$119,164,979 | |

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) | 6,036,446 | 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 | 1,010 | n/a |
| TOTAL CASH AND INVESTMENTS | \$106,188,074 | |

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 sources

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 were used for an energy saving capital project.

WWU's combined earnings and distributions on the fund for the years ending June 30, 2014 and 2013 are \$2,721,735 and \$2,466,100, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2014 and 2013, the major components of accounts receivable are as follows:

| | 2014 | 2013 |
|--|--------------------|--------------------|
| Student tuition and fees | \$4,037,992 | \$2,780,861 |
| Federal, State and private grants and contracts | 1,653,891 | 2,598,992 |
| Auxiliary enterprises and other operating activities | <u>1,741,380</u> | <u>2,667,501</u> |
| Total accounts receivable | 7,433,263 | 8,047,354 |
| Less allowance for doubtful accounts | <u>(861,864)</u> | <u>(644,470)</u> |
| Accounts receivable, net | <u>\$6,571,399</u> | <u>\$7,402,884</u> |

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2014 and 2013, student loans receivable are as follows:

| | 2014 | 2013 |
|--------------------------------------|--------------------|--------------------|
| Federal Perkins student loans | \$8,790,081 | \$8,577,935 |
| Other long-term loans | 41,387 | 34,662 |
| Institutional loans | <u>51,295</u> | <u>51,020</u> |
| Total student loans | 8,882,763 | 8,663,617 |
| Less allowance for doubtful accounts | <u>(961,461)</u> | <u>(951,904)</u> |
| Student loans receivable, net | <u>\$7,921,302</u> | <u>\$7,711,713</u> |

8. INVENTORIES

At June 30, 2014 and 2013, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

| | Valuation Method | 2014 | 2013 |
|------------------------|------------------|--------------------|--------------------|
| Location | | | |
| Bookstore | Retail | \$975,475 | \$941,848 |
| Central Stores | Average Cost | 19,001 | 21,393 |
| Facilities Maintenance | FIFO | 136,895 | 132,720 |
| Lock Shop | FIFO | 191,920 | 144,156 |
| Other inventory | FIFO | 132,195 | 130,342 |
| Total inventory | | <u>\$1,455,486</u> | <u>\$1,370,459</u> |

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2014 and 2013 was \$24,390,381 and \$21,698,636, respectively.

Following are the changes in land and capital assets for the year ended June 30, 2014:

| | 6/30/2013 | Additions/ Transfers | Retirements | 6/30/2014 |
|--------------------------------------|----------------------|-------------------------|------------------|----------------------|
| Non-depreciable Capital Assets | | | | |
| Land | \$12,772,593 | | \$723,276 | \$12,049,317 |
| Construction in progress | <u>23,727,877</u> | <u>\$(13,926,199)</u> | | <u>9,801,678</u> |
| Total non-depreciable capital assets | <u>\$36,500,470</u> | <u>\$(13,926,199)</u> | <u>\$723,276</u> | <u>\$21,850,995</u> |
| Depreciable Capital Assets | | | | |
| Infrastructure | \$52,945,934 | | | \$52,945,934 |
| Buildings | \$397,986,330 | 17,994,547 | 828,472 | 415,152,405 |
| Furniture, fixtures and equipment | \$37,821,788 | 2,310,198 | 879,262 | 39,252,724 |
| Library materials, art collection | \$53,131,868 | 177,566 | | 53,309,434 |
| Improvements | <u>\$132,878,741</u> | <u>10,731,603</u> | | <u>143,610,344</u> |
| Total depreciable capital assets | <u>674,764,661</u> | <u>31,213,914</u> | <u>1,707,734</u> | <u>704,270,841</u> |
| Less Accumulated Depreciation | | | | |
| Infrastructure | 26,045,261 | 1,344,597 | | 27,389,858 |
| Buildings | 143,792,256 | 10,617,826 | 304,714 | 154,105,368 |
| Furniture, fixtures and equipment | 26,328,086 | 3,712,698 | 879,262 | 29,161,522 |
| Library materials, art collection | 41,813,999 | 1,605,020 | | 43,419,019 |
| Improvements | <u>31,789,283</u> | <u>7,110,240</u> | | <u>38,899,523</u> |
| Total accumulated depreciation | <u>269,768,885</u> | <u>24,390,381</u> | <u>1,183,976</u> | <u>292,975,290</u> |
| Capital Assets, Net of depreciation | <u>\$404,995,776</u> | <u>\$6,823,533</u> | <u>\$523,758</u> | <u>\$411,295,551</u> |

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> |

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, 2014 and 2013 are \$7,968,633 and \$7,768,373, 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 2014 and fiscal 2013, \$167,268 and \$86,263, 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 |
|-------------|-----------|-----------|
| 2015 | 517,910 | 163,507 |
| 2016 | 503,798 | 148,053 |
| 2017 | 509,692 | 133,604 |
| 2018 | 375,000 | 115,555 |
| 2019 | 385,000 | 107,955 |
| 2020-2024 | 2,125,000 | 331,418 |
| 2025-2029 | 545,000 | 37,353 |
| Total | 4,961,400 | 1,037,445 |

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 8,455,000 at June 30, 2014, which is reported net of the original issue premium of \$445,561.

Series 2009 A and B Revenue Bonds with interest rates ranging from 4.0% to 7.4% and an aggregate face value of \$13,145,000 at June 30, 2014, which is reported net of the original issue premium of \$1,334.

Series 2006 Revenue Bonds with an interest rate of 4% and an aggregate face value of \$6,690,000 at June 30,

2014, which is reported net of the original issue premium of \$24,114.

Series 2005 Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.5% and an aggregate face value of \$9,685,000 at June 30, 2014, which is reported net of the unamortized original discount of \$83,144.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rate of 5.5% and an aggregate face value of \$9,230,000 at June 30, 2014, which is reported net of the unamortized original issue premium of \$93,178.

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, 2014, which is reported net of the unamortized original issue premium of \$371,000.

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 out-

standing 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 |
| 2015 | 3,035,000 | 2,361,314 | 700,000 | 925,350 |
| 2016 | 3,145,000 | 2,236,702 | 725,000 | 904,350 |
| 2017 | 3,285,000 | 2,097,400 | 750,000 | 882,600 |
| 2018 | 3,430,000 | 1,951,583 | 770,000 | 860,100 |
| 2019 | 3,560,000 | 1,798,652 | 795,000 | 837,000 |
| 2020-2024 | 18,325,000 | 6,389,315 | 4,375,000 | 3,765,825 |
| 2025-2029 | 7,350,000 | 3,013,280 | 5,305,000 | 2,846,000 |
| 2030-2034 | 5,075,000 | 1,132,540 | 5,060,000 | 1,696,600 |
| 2035-2037 | | | <u>5,905,000</u> | <u>366,000</u> |
| Total | \$47,205,000 | \$20,980,786 | 24,385,000 | \$13,083,825 |
| Unamortized premium/ (discount) | 481,043 | | 371,000 | |
| Total | <u>\$47,686,043</u> | <u>20,980,786</u> | <u>24,756,000</u> | <u>13,083,825</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 | \$68,185,786 | Housing and Dining bonds issued in 1998, 2005, 2006, 2009, 2012 | Construction and renovation of student housing projects | 2034 | 86.2% |
| Student Recreation Center gross revenues | \$37,468,825 | Student Recreation Center bonds issued in 2012 | Construction of the Student Recreation Center | 2037 | 21.4% |
| * 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, 2014 and 2013:

| | 6/30/13 | Additions/ Amortization | Retirements | 6/30/14 | Current Portion |
|-----------------------------|---------------------|----------------------------|--------------------|---------------------|--------------------|
| Bonds and notes payable | | | | | |
| Revenue and refunding bonds | \$75,482,723 | (26,393) | \$3,014,287 | \$72,442,043 | \$3,735,000 |
| Notes payable | 5,512,862 | | 551,462 | 4,961,400 | 517,910 |
| Net pension obligation | <u>7,760,970</u> | <u>2,449,000</u> | <u>244,562</u> | <u>9,965,408</u> | <u>376,000</u> |
| Total long term liabilities | <u>\$88,756,555</u> | <u>\$2,422,607</u> | <u>\$3,810,311</u> | <u>\$87,368,851</u> | <u>\$4,628,910</u> |

| | 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 | <u>5,462,938</u> | <u>2,449,000</u> | <u>150,968</u> | <u>7,760,970</u> | <u>376,000</u> |
| 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> |

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, 2014, future payments under these operating leases are as follows:

| Fiscal Year | Lease Payment |
|------------------------------|--------------------|
| 2015 | 413,757 |
| 2016 | 1,110,007 |
| 2017 | 264,559 |
| 2018 | 240,430 |
| 2019 | 241,982 |
| 2020-2021 | <u>464,231</u> |
| Total minimum lease payments | <u>\$2,734,966</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, 2014 and 2013 are as follows:

| Operating Expenses | 2014 | 2013 |
|------------------------------------|----------------------|----------------------|
| Instruction | \$101,503,895 | \$94,906,845 |
| Research | 5,333,465 | 4,969,498 |
| Academic Support | 13,685,703 | 14,911,524 |
| Student Services | 18,069,416 | 16,470,143 |
| Institutional Support | 19,669,297 | 19,168,694 |
| Operation and Maintenance of Plant | 47,436,065 | 42,411,775 |
| Scholarships and other student aid | 17,620,538 | 16,796,678 |
| Auxiliary enterprise expenditures | <u>45,437,358</u> | <u>46,329,778</u> |
| Total operating expenses | <u>\$268,755,737</u> | <u>\$255,964,935</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, 2014 and 2013 is \$33,728,574 and \$32,233,297; the payroll for employees covered by TRS is \$1,060,622 and \$876,331; the payroll covered by WWURP is \$70,445,521 and \$71,497,672; the payroll for LEOFF is \$957,148 and \$853,100, respectively.

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

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have 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, 2014, 2013 and 2012 are as follows:

| | 2014 | 2013 | 2012 |
|------------|-------------|-------------|-------------|
| Employee | \$6,221,794 | \$5,906,235 | \$5,436,281 |
| University | 6,219,353 | 5,938,412 | 5,427,185 |

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 \$70,445,521 and \$71,497,672 of WWU's payroll were covered under this plan during fiscal 2014 and fiscal 2013, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2014:

| | |
|-----------------------------------|--------------------|
| 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 | 7,760,970 |
| Annual Required Contribution FY14 | 2,449,000 |
| Payments to Beneficiaries FY14 | (244,562) |
| Balance as of June 30, 2014 | <u>\$9,965,408</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, 2014 are as follow:

| | Employee | University |
|--------------|----------|----------------|
| PERS | | |
| Plan I | 6.00% | 9.21% |
| Plan II | 4.92% | 9.21% |
| Plan III | 5% - 15% | 9.21% |
| TRS | | |
| Plan I | 6.00% | 8.05% - 10.39% |
| Plan II | 4.69% | 8.05% - 10.39% |
| Plan III | 5% - 15% | 8.04% - 8.05% |
| LEOFF | | |
| Plan II | 8.41% | 8.57% - 8.59% |

The required contributions for the years ending June 30, 2014, 2013 and 2012 are as follows:

| | 2014 | 2013 | 2012 |
|--------------|-------------|-------------|-------------|
| PERS | | | |
| Employee | \$1,756,832 | \$1,604,739 | \$1,603,586 |
| University | 3,074,774 | 2,297,067 | 2,289,213 |
| TRS | | | |
| Employee | 45,491 | 31,890 | 29,631 |
| University | 61,753 | 36,137 | 33,660 |
| LEOFF | | | |
| Employee | 80,496 | 72,180 | 66,086 |
| University | 82,185 | 73,545 | 67,336 |

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 2014, 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 actuarial accrued liability of the State of Washington at January 1, 2013 to be \$3.7 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 \$17.2 million for active and retiree health care expense during fiscal 2014 and \$17.3 million during fiscal 2013.

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.

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2014 and 2013 are:

| | 2014 | 2013 |
|-------------------|---------------------|---------------------|
| Operating | \$5,699,850 | \$3,605,931 |
| Research | 665,598 | 524,672 |
| Capital projects | <u>12,513,683</u> | <u>9,820,775</u> |
| Total commitments | <u>\$18,879,131</u> | <u>\$13,951,378</u> |

23. JOINT VENTURE

In FY 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. During FY 2014, WWU transferred \$723 thousand in land and \$524 thousand in buildings, net to the WCDC to facilitate WWU development on the waterfront.

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 Harrington 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. During FY 2014, the Foundation made an additional pledge of \$92 thousand to help support the Harrington Field project. The pledge is expected to be paid as follows:

For the year ending June 30,

| | |
|--|------------------|
| 2015 | \$141,634 |
| 2016 | 50,000 |
| 2017 | 150,000 |
| 2018 | 150,000 |
| Thereafter | <u>500,000</u> |
| | 991,634 |
| Less present value discount (0.71%) | <u>(30,588)</u> |
| Pledged gift receivable from the Foundation, net | <u>\$961,046</u> |



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HOUSING AND DINING SYSTEM

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HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

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 students live their 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, 2014, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The 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, 2014, 2013 and 2012:

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

June 30, 2014 and 2013

(Dollars in Thousands)

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------------------|-----------------|-----------------|-----------------|
| Assets | | | |
| Current Assets | \$9,326 | \$10,009 | \$10,454 |
| Noncurrent assets | 9,737 | 7,564 | 6,455 |
| Capital assets, net | <u>100,362</u> | <u>100,466</u> | <u>97,756</u> |
| Total assets | 119,425 | 118,039 | 114,665 |
| Deferred Outflows | | | |
| Deferred loss on bonds | 1,173 | 1,297 | 1,112 |
| Liabilities | | | |
| Current liabilities | 6,887 | 6,617 | 6,400 |
| Noncurrent liabilities | <u>44,651</u> | <u>47,790</u> | <u>50,410</u> |
| Total liabilities | 51,538 | 54,407 | 56,810 |
| Net Position | | | |
| Net investment in capital assets | 52,676 | 51,063 | 45,678 |
| Restricted, expendable | 3,289 | 3,235 | 3,212 |
| Unrestricted | <u>13,095</u> | <u>10,631</u> | <u>10,077</u> |
| Total net position | <u>\$69,060</u> | <u>\$64,929</u> | <u>\$58,967</u> |

Current assets decreased \$683,095 (-6.8%) in fiscal 2014 compared to fiscal 2013 and \$444,890 (-4.3%) in fiscal 2013 compared to 2012 due primarily to a reallocation from short-term to long-term investments.

Noncurrent assets, excluding capital assets, increased \$2,171,805 or 28.7% due primarily to an increase in long-term investments, as the System continues to build reserves necessary to implement planned capital projects. 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.

Total assets increased \$1,385,418 or 1.2% in fiscal 2014 due primarily to the increase in long-term investments. Total assets increased \$3,373,861 or 2.9% in fiscal 2013 and \$6,585,351 (6.1%) in fiscal 2012 due to capital additions.

Capital assets decreased minimally in fiscal 2014, while increasing 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.

Major projects completed during fiscal 2014 included the Mathes and Ridgeway Alpha residence halls fire sprinklers and the Fairhaven Dining Commons renovation. 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.

Current liabilities increased \$269,300 or 4.1% in fiscal 2014 compared to fiscal 2013 due to an increase in accounts payable. 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.

Total net position increased \$4,131,324 or 6.4% in fiscal 2014 over fiscal 2013 due to an increase in unrestricted net position and the completion of planned renovations. 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 position.

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

June 30, 2014 and 2013

Net investment in capital assets increased in fiscal 2014 by \$1,613,422 or 3.2% due to the capitalization of the fire sprinkler and dining renovation projects combined with reduced capital debt due to principal payments. 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 combined with reduced capital debt due to principal payments.

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.

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 costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2014, 2013 and 2012:

(Dollars in thousands)

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---------------------------------|------------------------|------------------------|------------------------|
| Operating Revenues | \$40,582 | \$39,241 | \$38,161 |
| Operating Expenses | <u>(35,135)</u> | <u>(31,287)</u> | <u>(29,491)</u> |
| Income from operations | 5,447 | 7,954 | 8,670 |
| Nonoperating Revenues | 1,155 | 1,124 | 4,746 |
| Nonoperating Expenses | <u>(2,471)</u> | <u>(3,116)</u> | <u>(2,960)</u> |
| Increase in Net Position | 4,131 | 5,962 | 10,456 |
| Net Position, Beginning of year | <u>64,929</u> | <u>58,967</u> | <u>48,511</u> |
| Net Position, End of year | <u><u>\$69,060</u></u> | <u><u>\$64,929</u></u> | <u><u>\$58,967</u></u> |

Total operating revenue increased for fiscal 2014 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 \$34,550,060 (85.1%) of the System's operating revenue compared to \$33,349,604 (84.9%) in fiscal 2013 and \$31,957,200 (83.7%) in fiscal 2012.

HOUSING AND DINING SYSTEM

MANAGEMENT’S DISCUSSION AND ANALYSIS

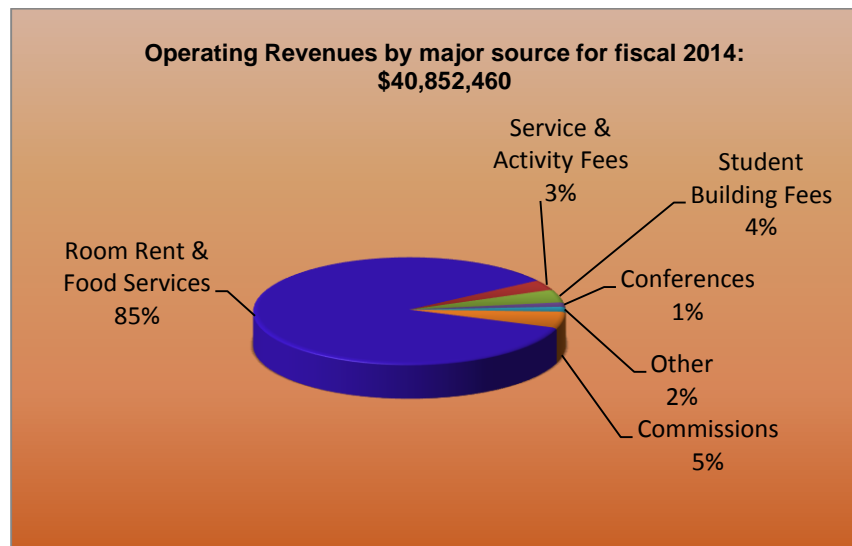
June 30, 2014 and 2013

Room and food service revenues increased \$1,200,457 or 3.6% in fiscal 2014 over fiscal 2013 due to a 3% rate increase and increased occupancy. Room and food service revenues increased \$1,392,403 or 4.4% in fiscal 2013 over fiscal 2012 due to a 3% rate increase and increased fall and winter quarter residence hall occupancy.

Student building fee revenue increased \$12,787 (0.8%) in fiscal 2014 due to slight changes in enrollment. During fiscal 2013 student building fee revenue decreased \$9,266 (-0.6%) compared to fiscal 2012 due to changes in enrollment patterns. There was no change in the \$39 per quarter fee for fiscal 2014.

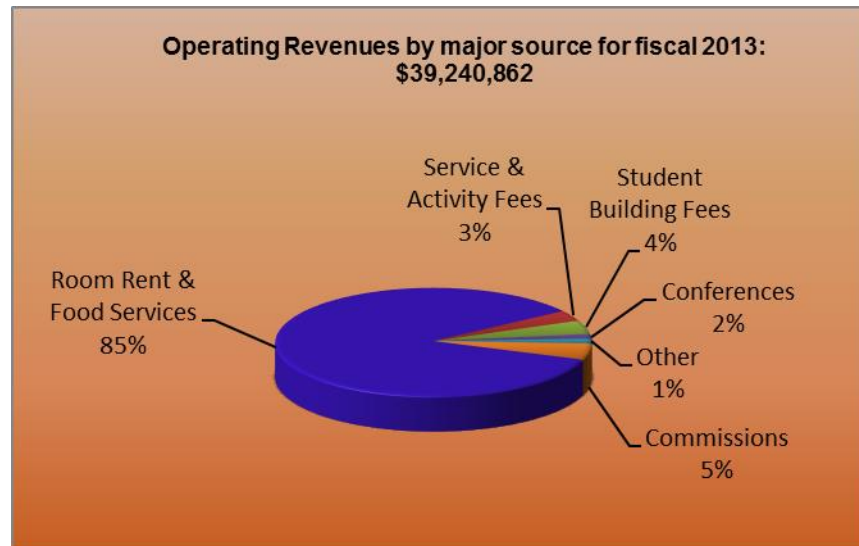
Conference revenue decreased \$17,017 (-3.0%) in fiscal 2014 due to reduced bookings. Conference revenue increased \$42,726 or 8.3% in fiscal 2013 over 2012 due to a slight rate increase and increased bookings.

In September 2011 WWU 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. Viking Union revenue increased \$198,960 or 124% in fiscal 2014 primarily due to the one-time transfer of the recycle center financial operations to the Viking Union. 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. Commission revenue increased \$95,802 (5%) in fiscal 2014 and \$88,898 (4.9%) in fiscal 2013 due to the Aramark guaranteed commission schedule.



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

June 30, 2014 and 2013



Overall operating expenses for fiscal 2014 were up \$3,847,742 (12.3%) primarily due to increases in depreciation, non-capitalized renewals, and cost of food services. Overall operating expenses were up \$1,795,497 (6.1%) in fiscal 2013 primarily due to increases in depreciation and cost of food services. Aside from depreciation, the year-to-year percent of expense by category was generally consistent across all major categories.

Cost of food services increased \$640,961 (5.6%) in fiscal 2014 primarily due to the combination of a rate increase and increased voluntary meal plan purchases. 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.

Salaries and benefits increased \$347,910 (5.8%) in fiscal 2014 as position vacancies were filled and State wage increases occurred. Salaries and benefits decreased \$111,312 (-1.8%) in fiscal 2013 compared to fiscal 2012 due to position vacancies.

Utilities expense increased \$126,297 (5.3%) in fiscal 2014 primarily due to increases in water and natural gas. Utilities expense increased \$57,192 or 2.4% over fiscal 2012 due to increases in all utility areas except natural gas.

Repairs and maintenance expense decreased \$121,988 (-6.4%) in fiscal 2014 as certain larger repairs were classified as non-capitalized renewal and replacements. Repairs and maintenance expense decreased \$191,387 (-9.1%) from fiscal 2012 as some larger repair projects were classified as non-capitalized renewal and replacements. There were no major unanticipated incidents in fiscal 2014.

Depreciation expense for fiscal 2014 increased \$1,710,045 (36.2%) while depreciation expense increased \$1,065,372 (29.1%) in fiscal 2013, both years due to the addition of completed renovations.

WWU's administrative services assessment fee (included in institutional services) increased \$163,246 (13.8%) in fiscal 2014 and \$69,745 (6.3%) in fiscal 2013. The rate charged against the System revenues (less food service contract) was 5.0% in fiscal 2014, 4.5% in fiscal 2013, and 4.5% in fiscal 2012.

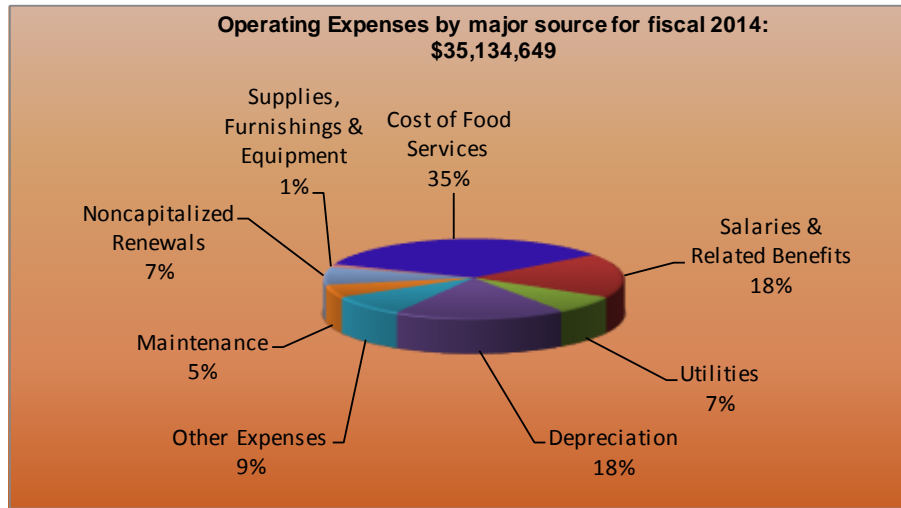
HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

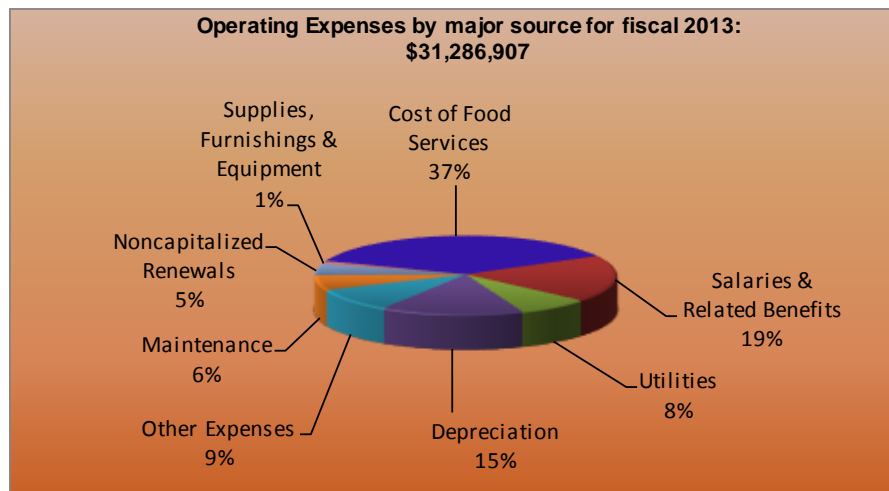
June 30, 2014 and 2013

Other expenses decreased \$299,768 (-32.4%) in fiscal 2014 primarily influenced by decreases in Other Goods & Services. 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.

Non-operating expenses (interest & amortization) for fiscal 2014 decreased \$644,410 (20.7%) primarily due to reduced bond cost amortization. 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 revenue increased \$30,937 (2.8%) due to a slight increase in the capital contribution from Aramark. 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.



HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

Economic Factors and Significant Events

WWU's Fall quarter of fiscal 2014 enrollment headcount of 14,182 represents a 0.83% increase over Fall quarter of fiscal 2013 enrollment. The average annual fiscal 2014 enrollment was slightly higher than fiscal 2013. Management will address housing demand independent of enrollment through room capacity practices, such as adding or reducing the number beds in a room for example.

The revised 10-year auxiliary capital plan for University Residences, shared with WWU'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. The 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 21, 2014

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, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Housing and Dining System, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of Western Washington University Housing and Dining System, a department of the University, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of Housing and Dining. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2014 and 2013, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

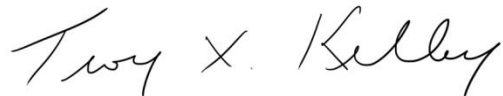
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.

Other Information

The information identified in the table of contents as the Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

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

June 30, 2014 and 2013

| Assets | 2014 | 2013 |
|--|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$6,223,145 | \$5,679,981 |
| Investments (Note 2) | 2,161,956 | 3,400,305 |
| Accounts receivable, net of allowance of \$87,490 and \$55,958 in 2014 and 2013, respectively | 134,034 | 190,825 |
| Interest receivable | 31,734 | 7,041 |
| Other receivables | 773,119 | 728,644 |
| Inventory | 1,804 | 2,091 |
| Total current assets | <u>9,325,792</u> | <u>10,008,887</u> |
| Noncurrent assets | | |
| Restricted investments (Note 2) | 3,050,772 | 3,048,011 |
| Investments (Note 2) | 6,681,725 | 4,516,518 |
| Capital assets, net (Note 3) | 100,362,288 | 100,465,580 |
| Other assets (Note 1) | 3,837 | - |
| Total noncurrent assets | <u>110,098,622</u> | <u>108,030,109</u> |
| Total assets | <u>119,424,414</u> | <u>118,038,996</u> |
| Deferred outflows | | |
| Deferred loss on bond refunding | 1,173,492 | 1,297,571 |
| Total deferred outflows | <u>1,173,492</u> | <u>1,297,571</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 1,103,047 | 989,308 |
| Accrued expenses | 614,144 | 594,204 |
| Residents' housing deposits | 1,280,705 | 1,287,276 |
| Deferred revenue | 323,496 | 281,712 |
| Bonds interest payable | 530,111 | 554,703 |
| Current portion of bonds payable (Note 4) | 3,035,000 | 2,910,000 |
| Total current liabilities | <u>6,886,503</u> | <u>6,617,203</u> |
| Bonds payable, less current portion (Note 4) | 44,651,044 | 47,790,329 |
| Total liabilities | <u>51,537,547</u> | <u>54,407,532</u> |
| Net Position | | |
| Net investment in capital assets | 52,676,244 | 51,062,822 |
| Restricted, expendable | 3,289,241 | 3,235,269 |
| Unrestricted | 13,094,874 | 10,630,944 |
| Total net position | <u>\$69,060,359</u> | <u>\$64,929,035</u> |

HOUSING AND DINING SYSTEM

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

June 30, 2014 and 2013

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Operating Revenues | | |
| Room rent and food services | \$34,550,060 | \$33,349,603 |
| Service and activity fees | 1,273,981 | 1,272,423 |
| Student building fees | 1,607,137 | 1,594,350 |
| Conferences | 543,220 | 560,237 |
| Viking Union income | 359,409 | 160,449 |
| Contribution for dining services | - | 8,107 |
| Rent | 117,082 | 112,276 |
| Commissions | 1,998,562 | 1,902,760 |
| Fees, penalties, and other income | 133,009 | 280,657 |
| Total operating revenue | <u>40,582,460</u> | <u>39,240,862</u> |
| Operating Expenses | | |
| Cost of food services | 12,104,441 | 11,463,480 |
| Salaries and related benefits | 6,326,648 | 5,978,738 |
| Utilities | 2,522,045 | 2,395,748 |
| Repairs and maintenance | 1,798,643 | 1,920,631 |
| Communications | 254,286 | 307,041 |
| Insurance | 552,192 | 387,504 |
| Supplies | 259,501 | 259,100 |
| Furniture and equipment | 180,338 | 156,292 |
| Institutional services | 1,543,545 | 1,340,014 |
| Depreciation | 6,437,903 | 4,727,858 |
| Noncapitalized renewals and replacements | 2,528,955 | 1,424,581 |
| Other | 626,152 | 925,920 |
| Total operating expenses | <u>35,134,649</u> | <u>31,286,907</u> |
| Income from operations | <u>5,447,811</u> | <u>7,953,955</u> |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 91,973 | 79,781 |
| Build America Bonds interest subsidy | 293,248 | 318,574 |
| Other Capital Contribution | 769,634 | 725,563 |
| Interest expense | (2,451,547) | (2,555,954) |
| Amortization of bond discounts and premiums | (19,795) | (559,798) |
| Total nonoperating revenues (expenses) | <u>(1,316,487)</u> | <u>(1,991,834)</u> |
| Increase in net assets | 4,131,324 | 5,962,121 |
| Net Position, Beginning of Year | <u>64,929,035</u> | <u>58,966,914</u> |
| Net Position, End of Year | <u><u>\$69,060,359</u></u> | <u><u>\$64,929,035</u></u> |

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

June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Cash received from students and other customers | 40,629,990 | \$39,722,673 |
| Cash paid to employees | (6,306,865) | (5,957,199) |
| Cash paid to suppliers | <u>(22,267,527)</u> | <u>(20,540,016)</u> |
| Net cash flows provided by operating activities | 12,055,598 | 13,225,458 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from capital debt | - | (100,000) |
| Payment of long-term debt | (2,913,839) | (2,787,135) |
| Interest payments | (2,476,139) | (2,602,768) |
| Build America Bonds interest subsidy | 293,248 | 318,574 |
| Purchase of capital assets | <u>(5,553,365)</u> | <u>(7,083,282)</u> |
| Net cash flows (used in) by capital and related financing activities | (10,650,095) | (12,254,611) |
| Cash Flows from Investing Activities | | |
| Investment income received | 67,280 | 87,606 |
| Net (loss) proceeds of restricted investments | (2,761) | (28,506) |
| Sales of investments | <u>(926,858)</u> | <u>(1,816,418)</u> |
| Net cash flows (used in) provided by investing activities | <u>(862,339)</u> | <u>(1,757,318)</u> |
| Net change in cash and cash equivalents | 543,164 | (786,471) |
| Cash and Cash Equivalents, Beginning of Year | <u>5,679,981</u> | <u>6,466,452</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$6,223,145</u></u> | <u><u>\$5,679,981</u></u> |
| Reconciliation of Operating Income to Net Cash Provided to Operating Activities | | |
| Operating income | 5,447,811 | 7,953,955 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Depreciation | 6,437,903 | 4,727,858 |
| Loss on disposal of fixed asset | 176 | - |
| Change in operating assets and liabilities | | |
| Accounts receivable | 56,791 | (72,958) |
| Other receivables | (44,475) | 6,739 |
| Inventory | 287 | (482) |
| Accounts payable | 102,108 | 40,777 |
| Accrued salaries and benefits | 19,783 | 21,539 |
| Residents' housing deposits | (6,571) | 482,345 |
| Deferred revenue | <u>41,784</u> | <u>65,685</u> |
| Cash flows from operating activities | <u><u>\$12,055,597</u></u> | <u><u>\$13,225,458</u></u> |
| Supplemental Disclosure of Noncash Capital and Related Financing Activities | | |
| Change in capital asset additions included in accounts payable | <u><u>\$11,788</u></u> | <u><u>(\$371,033)</u></u> |

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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 (WWU). 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 WWU 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 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 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

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

Accounts Receivable

Receivables are primarily from students of WWU 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, 2014 and 2013

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 \$1,173,492 and \$1,297,571 for fiscal years 2014 and 2013, 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. Room and board charges related to fiscal year 2014 are recorded as unearned revenue 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 \$9,476,125 and \$8,591,434 of this balance at June 30, 2014 and 2013, 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 non-operating 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.

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

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

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 of the face amount of bonds payable. The System adopted GASB 65 “*Items Previously Reported as Assets and*

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

June 30, 2014 and 2013

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. Investment premiums are shown as Other assets on the Statement of Net Position.

Administrative Assessment

WWU 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 \$1,342,420 and \$1,179,174 for the years ending June 30, 2014 and 2013, respectively.

Tax Exemptions

WWU, 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, 2013 financial statements have been reclassified to conform to the June 30, 2014 financial statement presentation.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System’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 deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of three years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

The System’s investments of \$3,050,772 and \$3,048,011 in fiscals 2014 and 2013 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, 2014 and 2013

| | June 30, 2014 | Weighted Average Maturity (in years) | June 30, 2013 | Weighted Average Maturity (in years) |
|------------------------------------|---------------------|---|---------------------|---|
| Cash and cash equivalents | \$6,223,145 | 0.001 | \$5,679,981 | 0.001 |
| Investments | | | | |
| Certificates of deposit-restricted | 1,521,563 | 2.241 | 1,521,563 | 3.241 |
| U.S. Agencies-restricted | 1,529,209 | 0.907 | 1,526,449 | 0.411 |
| Certificates of deposit | 874,286 | 2.033 | 858,183 | 0.057 |
| U.S. Treasury | 724,917 | 1.085 | - | |
| U.S. Agencies | 7,244,478 | 2.657 | 7,058,639 | 1.311 |
| | <u>\$18,117,598</u> | | <u>\$16,644,815</u> | |

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2014 and 2013 was \$6,437,903 and \$4,727,858, respectively.

Following are the changes in capital assets for the year ended June 30, 2014:

| Description | June 30, 2013 | Additions | Retirements | Transfers | June 30, 2014 |
|------------------------------------|----------------------|--------------------|-----------------|---------------|----------------------|
| Non-depreciable capital assets | | | | | |
| Construction in progress | \$5,259,312 | \$1,513,050 | | (\$4,858,460) | \$1,913,902 |
| Depreciable capital assets | | | | | |
| Buildings | 104,021,951 | 3,241,732 | | 4,858,460 | 112,122,143 |
| Buildings improvements | 32,737,040 | 1,180,326 | | | 33,917,366 |
| Furniture, fixtures, and equipment | 6,776,429 | 399,679 | (18,166) | | 7,157,942 |
| Infrastructure | 4,492,564 | | | | 4,492,564 |
| Total cost | <u>153,287,296</u> | <u>6,334,787</u> | <u>(18,166)</u> | <u>-</u> | <u>159,603,917</u> |
| Accumulated Depreciation | | | | | |
| Buildings | 42,139,831 | 3,414,957 | | | 45,554,788 |
| Buildings improvements | 6,758,904 | 1,826,250 | | | 8,585,154 |
| Furniture, fixtures, and equipment | 2,224,225 | 1,068,579 | (17,990) | | 3,274,814 |
| Infrastructure | 1,698,756 | 128,117 | | | 1,826,873 |
| Total accumulated depreciation | <u>52,821,716</u> | <u>6,437,903</u> | <u>(17,990)</u> | <u>-</u> | <u>59,241,629</u> |
| Capital assets, net | <u>\$100,465,580</u> | <u>(\$103,116)</u> | <u>(\$176)</u> | <u>\$-</u> | <u>\$100,362,288</u> |

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

June 30, 2014 and 2013

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

| 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 |

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, 2014 and 2013

| | <u>June 30, 2014</u> | <u>June 30, 2013</u> |
|--|----------------------|----------------------|
| Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from \$750,000 to \$980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of \$8,455,000 at June 30, 2014 which is reported net of the unamortized original issues premium of \$445,561. | \$8,900,561 | \$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 \$295,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$13,145,000 at June 30, 2014 which is reported net of the unamortized original issue premium of \$1,334. | 13,146,334 | 13,444,224 |
| Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$420,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$6,690,000 at June 30, 2014 which is reported net of the unamortized original premium of \$24,114. | 6,714,114 | 7,137,851 |
| 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 \$620,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$9,685,000 at June 30, 2014, which is reported net of the unamortized original discount of \$83,144. | 9,601,856 | 10,209,498 |
| 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 \$825,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$9,230,000 at June 30, 2014, which is reported net of the unamortized original issue premium of \$93,179. | 9,323,179 | 10,169,776 |
| | <u>47,686,044</u> | <u>50,700,329</u> |
| Less current portion | <u>(3,035,000)</u> | <u>(2,910,000)</u> |
| | <u>\$44,651,044</u> | <u>\$47,790,329</u> |

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

June 30, 2014 and 2013

Following are the changes in long-term liabilities for the year ended June 30, 2014:

| Bonds Payable | June 30, 2013 | Additions | Reductions | June 30, 2014 | Current Portion |
|---|---------------|-----------|---------------|---------------|-----------------|
| Series 2012 Refunding Bonds | \$9,205,000 | - | (\$750,000) | \$8,455,000 | \$765,000 |
| Series 2009 Revenue Bonds | 13,440,000 | - | (295,000) | 13,145,000 | 310,000 |
| Series 2006 Revenue Bonds | 7,110,000 | - | (420,000) | 6,690,000 | 440,000 |
| Series 2005 Refunding Bonds | 10,305,000 | - | (620,000) | 9,685,000 | 645,000 |
| Series 1998 Junior Lien Revenue Refunding | 10,055,000 | - | (825,000) | 9,230,000 | 875,000 |
| | 50,115,000 | - | (2,910,000) | 47,205,000 | 3,035,000 |
| Plus unamortized premium | 680,831 | - | (116,643) | 564,188 | |
| Less unamortized discount | (95,502) | - | 12,358 | (83,144) | |
| Total Long-term liabilities | \$50,700,329 | - | (\$3,014,285) | \$47,686,044 | \$3,035,000 |

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 | (\$12,322,504) | \$50,700,329 | \$2,910,000 |

Total interest incurred on bonds payable for the years ended June 30, 2014 and June 30, 2013 was \$2,451,547 and \$2,555,954, respectively.

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

June 30, 2014 and 2013

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> |
|---|---------------------|---------------------|---------------------|
| 2015 | \$3,035,000 | \$2,361,314 | \$5,396,314 |
| 2016 | 3,145,000 | 2,236,702 | 5,381,702 |
| 2017 | 3,285,000 | 2,097,400 | 5,382,400 |
| 2018 | 3,430,000 | 1,951,583 | 5,381,583 |
| 2019 | 3,560,000 | 1,798,652 | 5,358,652 |
| 2020-2024 | 18,325,000 | 6,389,315 | 24,714,315 |
| 2025-2029 | 7,350,000 | 3,013,280 | 10,363,280 |
| 2030-2034 | 5,075,000 | 1,132,540 | 6,207,540 |
| | <u>47,205,000</u> | <u>\$20,980,786</u> | <u>\$68,185,786</u> |
| Less unamortized (discounts)/premiums & loss on defeasance | <u>481,044</u> | | |
| | <u>\$47,686,044</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, 2014 and 2013, these commitments totaled \$5,570,055 and \$3,019,441 respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

In fiscal 2012 Aramark contracted with WWU 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. \$769,634 and \$733,670 of that amount was used in fiscals 2014 and 2013 respectively.

NOTE 7. PENSION PLAN

As employees of WWU, 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. 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 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 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 System contributed approximately \$226,642, \$190,774 and \$200,869 to these plans in fiscal 2014, 2013 and 2012 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

NOTE 8. 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 (ARC) is not recorded on the System's financial statements.

SUPPLEMENTAL INFORMATION

**SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2014**

RESIDENCE HALLS

| | Meals per Quarter | | | |
|---|-------------------|----------|----------|----------|
| | Unlimited | 125 | 100 | 75 |
| Room and Board Academic Year Contracts | | | | |
| Double room/double occupancy | \$9,656 | \$9,290 | \$8,932 | \$8,566 |
| Single room/single occupancy | \$10,645 | \$10,279 | \$9,921 | \$9,555 |
| Double room/single occupancy (super single) | \$11,215 | \$10,849 | \$10,491 | \$10,125 |
| Triple room/triple occupancy | \$8,450 | \$8,084 | \$7,726 | \$7,360 |

APARTMENTS

| | Double with | Super Single | Family Rate |
|---|-------------|--------------|-------------|
| | 2/bedroom | 1/bedroom | |
| Apartment only Academic Year Contracts | | | |
| Birnam Wood - 2 Bedroom Units | \$3,063 | \$6,117 | \$12,246 |

**SCHEDULE OF OCCUPANCY
Year Ended June 30, 2014**

| | OCCUPANCY CAPACITY | | ACTUAL OCCUPANCY | ACTUAL OCCUPANCY AS A PERCENT OF | |
|-------------|----------------------------|-----------------------------|-----------------------------|---|--------------------------------------|
| | <u>Designed (1)</u> | <u>Operating (2)</u> | | <u>Designed Capacity</u> | <u>Operating Capacity</u> |
| | Fall 2013 | 4,159 | | 4,043 | 4,038 |
| Winter 2014 | 4,159 | 4,043 | 3,887 | 93.5% | 96.1% |
| Spring 2014 | <u>4,159</u> | <u>4,043</u> | <u>3,724</u> | <u>89.5%</u> | <u>92.1%</u> |
| Average | 4,159 | 4,043 | 3,883 | 93.4% | 96.0% |

(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 2014

WWU purchases buildings, contents and business interruption insurance for the Housing and Dining System through its participation in the State of Washington Master Property Insurance Program. The Housing and Dining 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 liability program, \$10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The Housing and Dining System’s property insurance in effect at June 30, 2014 is summarized as follows:

| | Values Used for Fire and Extended Coverage of Buildings |
|------------------------------------|---|
| Ridgeway Residences and Commons | \$87,123,832 |
| Fairhaven Residences and Commons | 56,216,108 |
| Buchanan Towers | 41,629,420 |
| Edens Hall and Edens Hall North | 31,288,822 |
| Viking Union, Addition and Commons | 42,591,741 |
| Birnam Wood Residences | 37,692,627 |
| Nash Hall | 26,552,279 |
| Mathes hall | 26,030,840 |
| Higginson hall | 17,863,667 |
| Commissary | 11,231,275 |
| Highland Hall | 7,917,873 |
| Lakewood Recreational Facility | 2,064,645 |
| Building Insured Values | 388,203,129 |
| Insured Contents | 15,238,761 |
| Total | <u>\$403,441,890</u> |

EXPENDED FOR PLANT FACILITIES FISCAL 2014 and 2013

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.

| | 2014 | 2013 |
|------------------------------------|--------------------|--------------------|
| Capitalized Projects | | |
| Mathes Fire Sprinklers | \$1,907,604 | \$1,989,372 |
| Edens & Alpha Fire Sprinklers | 1,401,405 | 1,146,452 |
| Nash Fire Sprinklers | 928,150 | 383,202 |
| Dining Capital Investment Projects | 671,030 | 17,650 |
| Other capitalizable | 321,469 | - |
| Kappa Sprinklers & Renovation | 176,790 | - |
| Aramark Contracted Renovations | - | 725,563 |
| Ridgeway Beta Renovation | - | 2,012,976 |
| Wireless Data Infrastructure | - | 535,474 |
| Lakewood Dock Replacement | - | 445,544 |
| | <u>\$5,406,448</u> | <u>\$7,256,233</u> |
| Non-Capitalized Projects | | |
| Other | \$457,812 | \$288,844 |
| Door Replacements | 428,716 | 113,180 |
| Furniture & Carpet | 382,593 | 119,575 |
| Media Installations | 342,216 | 111,097 |
| Plumbing, heating and electrical | 266,537 | 81,884 |
| Painting | 141,294 | 111,328 |
| Equipment | 139,192 | 256,211 |
| Bathroom & Shower renovations | 119,489 | 202,361 |
| Viking Union Projects | 106,508 | 5,966 |
| Asbestos abatement & flooring | 73,899 | - |
| Fire Safety Corrections | 58,739 | - |
| Window repair/replacement | 46,021 | - |
| ADA Upgrades | 25,640 | 65,886 |
| Roof Repair/Recoat/Replace | 9,991 | 41,761 |
| Lighting Retrofits & Changes | 4,340 | 77,475 |
| Edens Main Floor Remodel | - | 61,542 |
| | <u>\$2,602,987</u> | <u>\$1,537,110</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, 2014 and 2013

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, 2014, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The 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, 2014, 2013 and 2012:

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

June 30, 2014 and 2013

| | 2014 | 2013 | 2012 |
|---|---------------------------|---------------------------|---------------------------|
| Assets | | | |
| Current assets | \$780,468 | \$1,988,552 | \$1,733,021 |
| Noncurrent assets | 2,689,285 | 3,633,133 | 3,340,465 |
| Capital assets, net | 23,580,776 | 21,662,553 | 21,663,209 |
| Total assets | <u>\$27,050,529</u> | <u>27,284,238</u> | <u>\$26,736,695</u> |
| Deferred outflows | <u>467,604</u> | <u>500,022</u> | <u>532,441</u> |
| Liabilities | | | |
| Current liabilities | 1,225,332 | 790,700 | 451,455 |
| Noncurrent liabilities | 24,056,000 | 24,782,393 | 24,808,850 |
| Total liabilities | <u>25,281,332</u> | <u>25,573,093</u> | <u>25,260,305</u> |
| Net Position | | | |
| Net invested in capital assets | (707,620) | (1,907,691) | (1,523,200) |
| Restricted for system renewal and replacements | 2,139,260 | 1,976,548 | 1,740,551 |
| Restricted for capital projects | - | 712,127 | 1,090,000 |
| Unrestricted | 805,161 | 1,430,183 | 826,887 |
| Total net position | <u><u>\$2,236,801</u></u> | <u><u>\$2,211,167</u></u> | <u><u>\$2,134,238</u></u> |

The construction of Harrington Field, a new multipurpose artificial turf field, was completed in fiscal 2014 at a total cost of \$6.35 million (including capitalized interest), \$3.4 million of which was funded by the Recreation Center. The project has created 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. The Recreation Center contributed significant reserve funds as well as up front savings from refinancing its bonds.

Total current assets decreased \$1,208,084 when comparing fiscal 2014 to fiscal 2013 primarily due to funding the Harrington Field project with cash and cash equivalents. The receivable from the Western Washington University Foundation (the Foundation) decreased in fiscal 2014 by \$22,711 due to the purchase of equipment out of the Wade King Foundation fund.

Total noncurrent assets, excluding capital assets net, decreased \$943,848 during fiscal 2014, as cash and investments were used to fund the Harrington Field. Total noncurrent assets, excluding capital assets net, increased \$292,668 during fiscal 2013 primarily due to increases in investments.

The capital assets, net balance increased by \$1,918,223 during fiscal 2014 due to completion of the Harrington Field.

Current liabilities increased \$434,632 and \$339,245 during fiscal 2014 and fiscal 2013, respectively. The increase in fiscal 2014 is due to the current portion of long-term debt offset by a decrease in accounts payable for the remaining Harrington Field invoices. The increase in fiscal 2013 is primarily due to invoices that are attributable to the Harrington Field construction expenses.

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

June 30, 2014 and 2013

Non-current liabilities decreased \$726,393 and \$26,457 in fiscal 2014 and fiscal 2013, respectively, due to the Series 2012 bond amortization and the current portion of principal payments. No principal payments were scheduled until fiscal 2015 due to the 2012 bond refunding for debt service savings, which was committed as one of the funding sources for the Harrington Field.

It should be noted that the fiscal 2013 statements have been restated to account for the adjustment of the Harrington Field as a split asset between the Recreation Center and the University. The decision to split the asset based on the appropriate funding sources was made subsequent to the completion of the fiscal 2013 statements. The Prior Period Adjustment to correct capital contributions previously recognized by the Recreation Center is -\$1,968,019. Overall, net position increased \$25,634 in fiscal 2014 and \$76,929 in fiscal 2013. The amount invested in capital assets, net of related debt continues to decrease as the Recreation Center facility is depreciating at a faster rate than the related debt is repaid. Assets restricted for system renewals and replacements increased over the two prior fiscal years as contributions to this fund exceeded expenditures. Funds for renewal and replacement are set aside according to the capital and maintenance plan required by the debt covenants. These funds are classified as restricted on the Statements 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, 2014, 2013 and 2012:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|---------------------|
| Operating revenues | \$ 4,321,348 | \$ 4,327,749 | \$ 4,327,272 |
| Operating expenses | <u>(3,376,104)</u> | <u>(3,244,359)</u> | <u>(2,982,134)</u> |
| Income from operations | 945,244 | 1,083,390 | 1,345,138 |
| Nonoperating revenues | 11,765 | 1,022,451 | 975,119 |
| Nonoperating expenses | <u>(931,375)</u> | <u>(1,020,109)</u> | <u>(1,239,045)</u> |
| Increase in net assets | 25,634 | 1,085,732 | 1,081,212 |
| Net position, beginning of year | <u>2,211,167</u> | <u>2,134,238</u> | <u>2,012,242</u> |
| Restatement | - | (1,008,803) | (959,216) |
| Net position, beginning of year restated | 2,211,167 | 1,125,435 | 1,053,026 |
| Net position, end of year | <u>\$ 2,236,801</u> | <u>\$ 2,211,167</u> | <u>\$ 2,134,238</u> |

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

June 30, 2014 and 2013

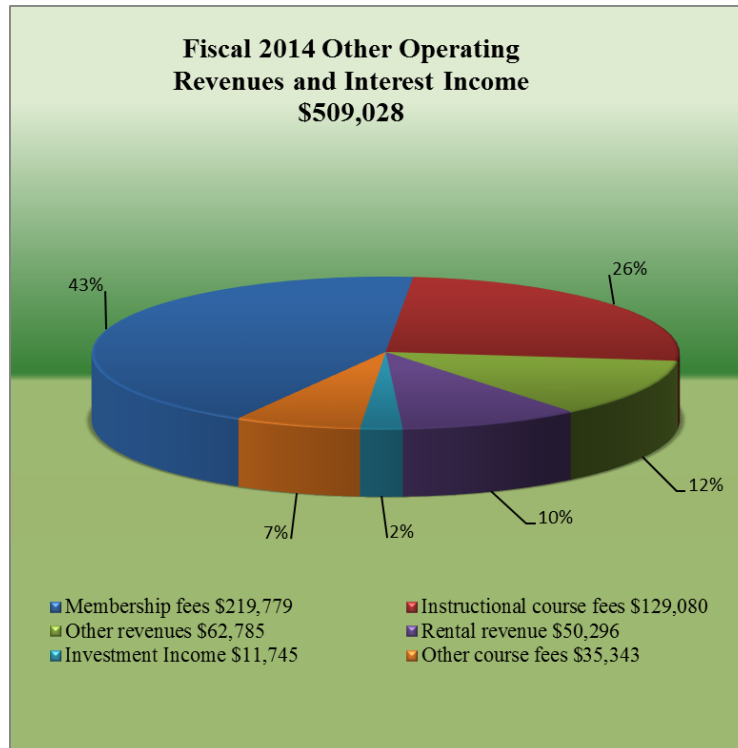
Revenues

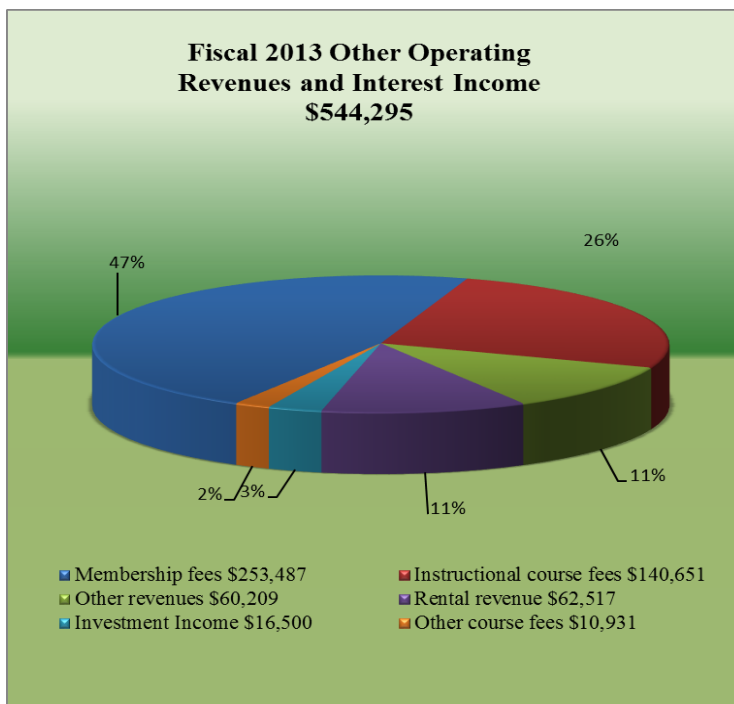
The Recreation Center's largest source of revenue is a \$95 per quarter mandatory service and activity fee entitled the "Student Recreation Fee" for use of the facility for those students taking six or more credits. During fiscal 2014, the estimated academic yearly average (AYA) of students taking 6 or more credits increased to 13,262 from 13,156. During fiscal 2013, AYA increased by 55 students. Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. The AYA does not include summer term. The fiscal 2014 mandatory service and activity fee remained unchanged from fiscal 2013 and fiscal 2012.

The decrease in membership fees to \$219,779 in fiscal 2014 from \$253,487 in fiscal 2013 is primarily due to fewer sponsored and faculty/staff memberships, as new Bellingham fitness facilities provided the community with additional options. Instructional course fees decreased similarly as there were fewer classes and personal training sales. Membership and instruction course fees increased during fiscal 2013 by \$25,114 due to increased personal training opportunities and sales of sponsored memberships.

The capital contribution of \$1.0 million for fiscal 2013 for the Harrington Field has been restated as part of the Prior Period Adjustment (-\$1,968,019). Subsequent to completion of the fiscal 2013 statements it was determined that the asset be split between WWU and the Recreation Center to reflect the appropriate sources of funding.

Rental revenue for fiscal 2014 decreased by \$12,221 primarily due to a loss of two high school graduation parties. Conversely, rental revenue increased by \$18,546 between fiscal 2013 and fiscal 2012 due to new marketing changes that promoted more usage of the facility by outside groups, specifically additional graduation night rentals. Other course fees increased significantly because of the addition of the largest summer sport camp, rugby. The rugby camp increased other course revenue by \$24,412 between fiscal 2014 and fiscal 2013. Other course fee revenue decreased \$7,105 between fiscal 2012 and fiscal 2013 due to limited enrollment in summer tennis camps.





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 45.1% of the total operating expenses in fiscal 2014 compared to 46.8% and 45.3% in fiscal 2013 and fiscal 2012, respectively. The moderate increase of \$3,384 in salaries and benefits in fiscal 2014 was due to increased student employment opportunities to assist with paraprofessional duties. The \$167,132 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.

Total utility expense for fiscal 2014 was \$283,105, an increase of \$944. This small increase in utility expense was balanced out from a decrease in refuse and disposal and an increase in water and sewer. Total utility expense for fiscal 2013 was \$282,161, an increase of \$6,585 from fiscal 2012 due to higher steam consumption.

Repairs and maintenance increased by \$52,151 from fiscal 2013. This is attributed to additional facility projects throughout fiscal 2014, such as aerobic room floor refinishing. Repairs and maintenance expenses decreased \$21,712 in fiscal 2013 from fiscal 2012 as a result of more preventative maintenance reducing the need for costly repairs.

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 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 from its Wade King Foundation Fund. The Recreation Center has an equipment replacement plan that budgets

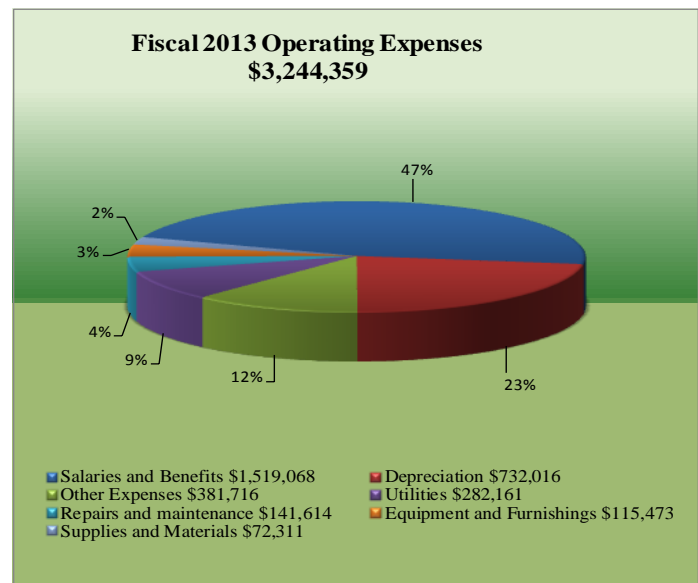
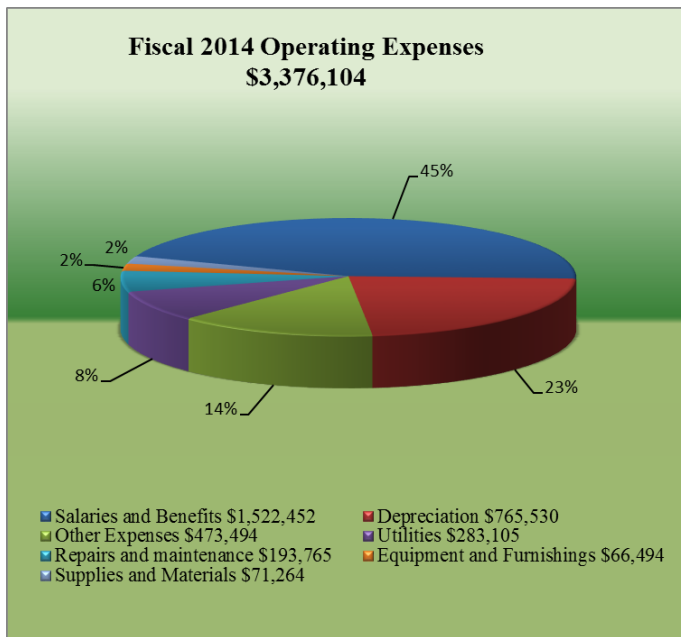
***WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2014 and 2013

\$100,000 per year in equipment replacement and refurbishment. Considering the expense of \$115,473 in fiscal 2013, the Recreation Center only spent \$66,494 in fiscal 2014 to maintain its equipment needs, a decrease of \$48,979

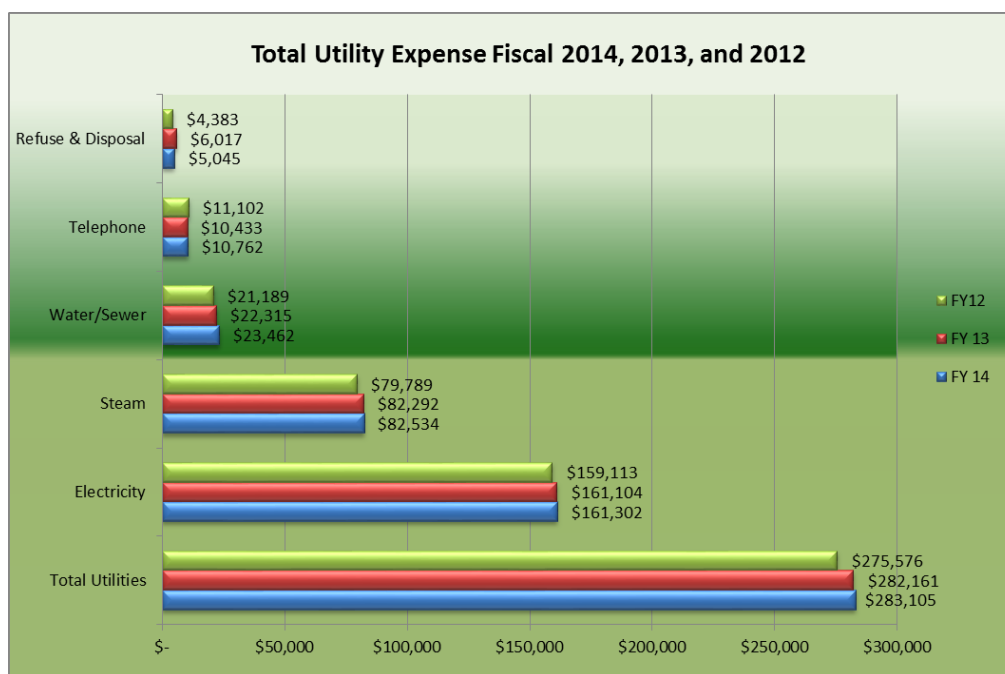
Supplies and materials expenses were on par with fiscal 2013 costs, decreasing by just \$1,047. This same category increased slightly by \$6,256 to \$72,311 in fiscal 2013 from \$66,055 in fiscal 2012. The increased demand for sanitary wipes for our fitness machines and equipment drove the increase between fiscals 2013 and 2012.

WWU's administrative services assessment fee (ASA), which is charged against revenues, increased to 5.0% in fiscal 2014. This expense was \$213,449 in fiscal 2014, a \$20,027 increase from \$193,422 in fiscal 2013. From fiscal 2012 to fiscal 2013 the fee was unchanged at 4.5%.



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

June 30, 2014 and 2013



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 (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 beginning in fiscal 2009 to meet anticipated building maintenance and repairs expenses. As planned, \$250,000 was placed into the R&R reserve for fiscals 2014, 2013, and 2012. Various maintenance projects over the course of fiscal 2014 reduced the reserve amount by \$88,567. At June 30, 2014, the R&R balance was \$2,372,280. 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 2014, \$11,701 was spent in both capital and non-capital equipment compared to \$87,667 in fiscal 2013. The Recreation Center transferred \$600,000 to the Harrington Field (formerly known as the Multipurpose Field) project in fiscal 2013. Contributions to this reserve in the past three years include \$0 in fiscal 2014 and fiscal 2013 and \$50,000 in fiscal 2012. During fiscal 2012, \$44,178 was spent on strength training equipment and \$250,000 was transferred to the Harrington Field project to assist with architectural design. At June 30, 2014 the Operating Reserve balance was \$703,295.

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. During fiscal 2014, \$22,711 was spent on non-capital equipment to improve the weight and fitness areas. While \$10,842

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

June 30, 2014 and 2013

was spent on similar equipment to improve the weight and fitness areas in fiscal 2012 no money was spent out of this fund in fiscal 2013. Portions of the donations have been used in the past for youth programming scholarships and certain equipment upgrades. The available balance maintained by the Foundation at June 30, 2014 was \$13,912. 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 2014, 2013, and 2012 were 4.67, 4.68, and 2.36 respectively. The higher ratios in fiscal 2014 and fiscal 2013 were due to the intentional structuring of bond debt payments to include interest only in support of funding the Harrington Field. 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 2014, 2013 and 2012 were \$925,350, \$927,920, and \$1,839,750 respectively.

Utilization Rates

Student utilization rates dropped with 12,135 (91.5%) of the estimated 13,262 AYA enrolled students using the facility during the course of fiscal 2014. This utilization rate was lower than the 13,045 (99.2%) of the estimated 13,470 AYA enrolled students who utilized the recreation center in fiscal 2013 and lower than the 12,106 (92.4%) of the 13,101 AYA who utilized the recreation center in fiscal 2012. AYA does not include summer term. Utilization 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 436,933 during fiscal 2014, compared with 422,709 during fiscal 2013 and 415,637 in fiscal 2012. The highest number of visits in a given day exceeded 3,200 in fiscal 2014. This is a steady rise from the 3,100 visits per day that were recorded in fiscal 2013 and 3,000 visits recorded in fiscal 2012.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 21, 2014

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, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Wade King Student Recreation Center, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of Western Washington University Wade King Recreation Center, a department of the University, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Recreation Center. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2014 and 2013, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'X'.

TROY KELLEY
STATE AUDITOR

WADE KING STUDENT RECREATION CENTER
STATEMENT OF NET POSITION

June 30, 2014 and 2013

| Assets | 2014 | 2013 Restated |
|--|--------------------|--------------------------|
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$512,499 | \$1,187,836 |
| Investments (Note 2) | 177,968 | 711,043 |
| Accounts receivable, net of allowance of \$10,104 in 2014 and \$7,056 in 2013 | 71,447 | 48,352 |
| Receivable from Western Washington University Foundation, net (Note 7) | 13,912 | 36,623 |
| Prepaid Expenses | - | 355 |
| Inventory | 4,642 | 4,343 |
| Total current assets | <u>780,468</u> | <u>1,988,552</u> |
| Noncurrent assets | | |
| Investments (Note 2) | 550,025 | 944,457 |
| Restricted cash and cash equivalents (Note 2) | 883,514 | 1,123,060 |
| Restricted investments (Note 2) | 1,255,746 | 1,565,616 |
| Capital assets, net (Note 3) | 23,580,776 | 21,662,553 |
| Total noncurrent assets | <u>26,270,061</u> | <u>25,295,686</u> |
| Total assets | <u>27,050,529</u> | <u>27,284,238</u> |
| Deferred outflows | | |
| Deferred loss on bond refunding | 467,604 | 500,022 |
| Total deferred outflows | <u>467,604</u> | <u>500,022</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 46,392 | 333,980 |
| Accrued wages and benefits | 154,395 | 154,367 |
| Unearned revenue | 170,320 | 148,129 |
| Interest payable | 154,225 | 154,224 |
| Current portion of bonds payable (Note 4) | 700,000 | - |
| Total current liabilities | <u>1,225,332</u> | <u>790,700</u> |
| Noncurrent liabilities | | |
| Bonds payable, less current portion (Note 4) | 24,056,000 | 24,782,393 |
| Total liabilities | <u>25,281,332</u> | <u>25,573,093</u> |
| Net Position | | |
| Net investment in capital assets | (707,620) | (1,907,691) |
| Restricted for system renewals and replacements | 2,139,260 | 1,976,548 |
| Restricted for capital projects | - | 712,127 |
| Unrestricted | 805,161 | 1,430,183 |
| Total net position | <u>\$2,236,801</u> | <u>\$2,211,167</u> |

WADE KING STUDENT RECREATION CENTER
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION *June 30, 2014 and 2013*

| | <u>2014</u> | <u>2013 Restated</u> |
|---|---------------------------|---------------------------|
| Operating Revenues | | |
| Service and activity fees, net of mandatory transfer | \$3,824,065 | \$3,799,954 |
| Staff, faculty and alumni membership fees | 219,779 | 253,487 |
| Instructional course fees | 129,080 | 140,651 |
| Other course fees | 35,343 | 10,931 |
| Rental revenue | 50,296 | 62,517 |
| Other revenues | 62,785 | 60,209 |
| Total operating revenues | <u>4,321,348</u> | <u>4,327,749</u> |
| Operating Expenses | | |
| Salaries and benefits | 1,522,452 | 1,519,068 |
| Depreciation | 765,530 | 732,016 |
| Utilities | 283,105 | 282,161 |
| Repairs and maintenance | 193,765 | 141,614 |
| Equipment and furnishings | 66,494 | 115,473 |
| Supplies and materials | 71,264 | 72,311 |
| Administrative assessment | 213,449 | 193,421 |
| Insurance | 38,407 | 28,585 |
| Other | 221,638 | 159,710 |
| Total operating expenses | <u>3,376,104</u> | <u>3,244,359</u> |
| Income from operations | 945,244 | 1,083,390 |
| Nonoperating Revenues (Expenses) | | |
| Investment income | 11,745 | 16,500 |
| Capital contribution | - | 1,000,000 |
| Gift income | 20 | 5,951 |
| Interest expense | (925,350) | (888,689) |
| Amortization of bond premiums | (6,025) | (131,420) |
| Total nonoperating revenues (expenses) | <u>(919,610)</u> | <u>2,342</u> |
| Increase in net assets | 25,634 | 1,085,732 |
| Net Position, Beginning of Year | <u>2,211,167</u> | <u>3,093,454</u> |
| Prior Period Adjustment-Correction of Capital Contributions (Note 1) | | (1,968,019) |
| Net Position, Beginning of Year, as restated | <u>2,211,167</u> | <u>1,125,435</u> |
| Net Position, End of Year | <u><u>\$2,236,801</u></u> | <u><u>\$2,211,167</u></u> |

WADE KING STUDENT RECREATION CENTER
STATEMENT OF CASH FLOWS

June 30, 2014 and 2013

| | 2014 | 2013 Restated |
|--|--------------------|--------------------------------|
| Cash Flows from Operating Activities | | |
| Cash received from students and other customers | \$4,320,444 | \$4,322,787 |
| Payments to employees | (1,522,424) | (1,505,293) |
| Payments to suppliers | (1,375,654) | (663,981) |
| Net cash flows provided by operating activities | <u>1,422,366</u> | <u>2,153,513</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Gift Income from the Foundation | <u>22,731</u> | <u>818</u> |
| Net cash flows provided by(used in) noncapital financing activities | 22,731 | 818 |
| Cash Flows from Investing Activities | | |
| Net purchases of investments in internal investment pool | 1,237,377 | (800,184) |
| Investment income received | <u>11,745</u> | <u>12,794</u> |
| Net cash flows provided by investing activities activities | 1,249,122 | (787,390) |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchases of equipment | (2,683,753) | (731,360) |
| Interest paid on capital debt | (925,349) | (886,141) |
| Principal paid on capital debt | - | - |
| Net cash used in capital and related financing | <u>(3,609,102)</u> | <u>(1,617,501)</u> |
| Net increase in cash and cash equivalents | (914,883) | (250,560) |
| Cash and cash equivalents, beginning of year | <u>2,310,895</u> | <u>2,561,455</u> |
| Cash and cash equivalents, end of year | <u>\$1,396,012</u> | <u>\$2,310,895</u> |
| Reconciliation of Operating Income to Net Cash Provided to Operating Activities | | |
| Income from operations | \$945,244 | \$1,083,390 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Depreciation | 765,530 | 732,016 |
| Change in operating assets and liabilities | | |
| Accounts receivable | (23,095) | 1,991 |
| Accounts payable, accrued expenses, salaries and benefits | (287,560) | 343,599 |
| Prepaid Expense | 355 | (104) |
| Unearned revenue | 22,191 | (6,953) |
| Inventory | (299) | (426) |
| Net cash flows provided by operating activities | <u>\$1,422,366</u> | <u>\$2,153,513</u> |

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

June 30, 2014 and 2013

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, 2014 and 2013

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 \$10,104 and \$7,056 at June 30, 2014 and 2013 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 \$467,604 and \$500,022 for fiscal years 2014 and 2013, 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 2014 are recorded as unearned revenue until the following fiscal year when the revenue is earned.

Restatement of prior period

During fiscal 2014, it was decided with the completion of the Harrington Field project that the asset will be split between the Recreation Center and WWU based upon the amount of funding provided by each entity. As such, the Recreation Center recorded 52.8% of the capital asset. The restatement resulted in a total decrease in net position of \$1,960,019 for fiscal 2013 due to the reduction of WWU capital contribution as well as the net present value of the Foundation pledge.

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

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

June 30, 2014 and 2013

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 Harrington Field project.

Classification of Revenues and Expenses

The Recreation Center has classified its revenues and expenses as either operating or nonoperating according to 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 \$213,449 and \$193,422 for fiscal years ended June 30, 2014 and 2013, 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.

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

June 30, 2014 and 2013

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 deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of three years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

The Recreation Center's investment in WWU's pool includes \$2,139,260 restricted for renewals and replacements.

| | June 30, 2014 | Weighted Average Maturity (in years) | June 30, 2013 | Weighted Average Maturity (in years) |
|---------------------------|--------------------|---|--------------------|---|
| Cash and Cash Equivalents | \$1,396,013 | 0.001 | \$2,730,143 | 0.001 |
| Investments | | | | |
| Certificates of deposit | 196,112 | 2.033 | 412,524 | 0.057 |
| U.S. Treasury | 162,607 | 1.085 | - | |
| U.S. Agencies | <u>1,625,019</u> | 2.657 | <u>3,393,050</u> | 0.722 |
| | <u>\$3,379,752</u> | | <u>\$6,535,717</u> | |

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2014 and 2013 was \$765,530 and \$732,016, respectively.

Following are the changes in capital assets for the years ended June 30, 2014 and 2013:

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

| | June 30, 2013 | Additions | Retirements | June 30, 2014 |
|-------------------------------|---------------------|--------------------|--------------------|---------------------|
| Non-Depreciable | | | | |
| Construction in Progress | \$666,247 | \$ - | (\$666,247) | \$ - |
| Depreciable | | | | |
| Building | 27,687,761 | - | - | 27,687,761 |
| Equipment | 348,698 | - | - | 348,698 |
| Improvements | 7,078 | 3,350,000 | | 3,357,078 |
| | 28,709,784 | 3,350,000 | (666,247) | 31,393,537 |
| Less accumulated depreciation | (7,047,231) | (765,530) | - | (7,812,761) |
| Capital assets, net | <u>\$21,662,553</u> | <u>\$2,584,470</u> | <u>(\$666,247)</u> | <u>\$23,580,776</u> |

| | 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> |

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 \$467,604 and \$500,022 for fiscal years 2014 and 2013, 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 \$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, 2014 and 2013, which is reported net of the unamortized original issue premium of \$371,000 and \$397,393 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 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

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

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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> |
|-----------------------------|----------------------------|----------------------------|----------------------------|
| 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 | 795,000 | 837,000 | 1,632,000 |
| 2020-2024 | 4,375,000 | 3,765,825 | 8,140,825 |
| 2025-2029 | 5,305,000 | 2,846,000 | 8,151,000 |
| 2030-2034 | 6,450,000 | 1,696,600 | 8,146,600 |
| 2035-2037 | 4,515,000 | 366,000 | 4,881,000 |
| | <u>24,385,000</u> | <u>13,083,825</u> | <u>37,468,825</u> |
| Plus unamortized premium | <u>371,000</u> | | |
| Total | <u><u>\$24,756,000</u></u> | <u><u>\$13,083,825</u></u> | <u><u>\$37,468,825</u></u> |

Following are the changes in bonds payable:

| | <u>Beginning Balance</u> | <u>Additions and Amortizations of Bond Premium</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|---|------------------------------|--|--------------------|---------------------------|----------------------------|
| As of June 30, 2014 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$371,000 and \$397,393 at June 30, 2014 and 2013 respectively. | <u>\$24,782,393</u> | <u>(\$26,393)</u> | <u>\$ -</u> | <u>\$24,756,000</u> | <u>\$700,000</u> |
| 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>\$ -</u> | <u>\$24,782,393</u> | <u>\$ -</u> |

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors

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

June 30, 2014 and 2013

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 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 \$55,534, \$50,485 and \$44,759 to these plans in fiscal 2014, 2013 and 2012, 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.



ASSOCIATED STUDENTS BOOKSTORE

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

June 30, 2014 and 2013

Overview

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

The following discussion and analysis provides an overview of the financial position and activities of the Bookstore for the years ended June 30, 2014, 2013 and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

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

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

Statement of Net Position

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

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

Below is a condensed view of the Statements of Net Position as of June 30, 2014, 2013 and 2012:

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

June 30, 2014 and 2013

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

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

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

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

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

ASSOCIATED STUDENTS' BOOKSTORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

\$37,731 (-2.8%) when compared to fiscal 2012. In fiscal 2013, the Bookstore capitalized the \$13,588 acquisition of Sherpa, a software module used to facilitate textbook rentals in the Sequoia point of sale system (PC POS).

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

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

June 30, 2014 and 2013

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2014, 2013 and 2012:

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

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

Cost of goods sold increased \$48,295 (0.9%) from fiscal 2013 and increased \$359,255 (7.4%) in fiscal 2013 from fiscal 2012. In fiscal 2014, an increase in the sale of used textbooks along with an increase in in-store Bookstore course book rentals contributed to a smaller percentage increase in cost of goods sold in relation to the percentage increase in sales of textbooks. The fiscal 2013 cost of goods sold increase was affected by a change in the calculation of cost of goods sold for textbooks. Beginning in fiscal 2013, freight costs for textbooks returned to publishers and wholesalers were included as a part of textbook cost of goods sold. In past fiscal years, freight costs for textbook returns were included in freight/transport expense a part of the Bookstore's operating expense.

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

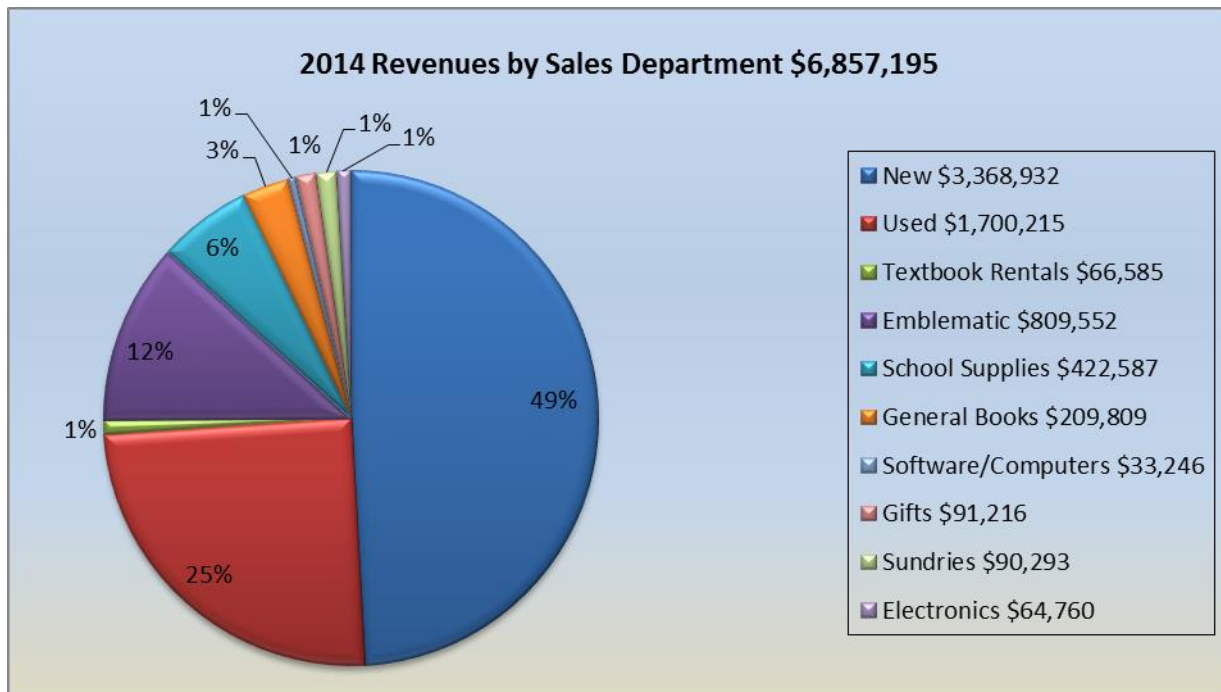
***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

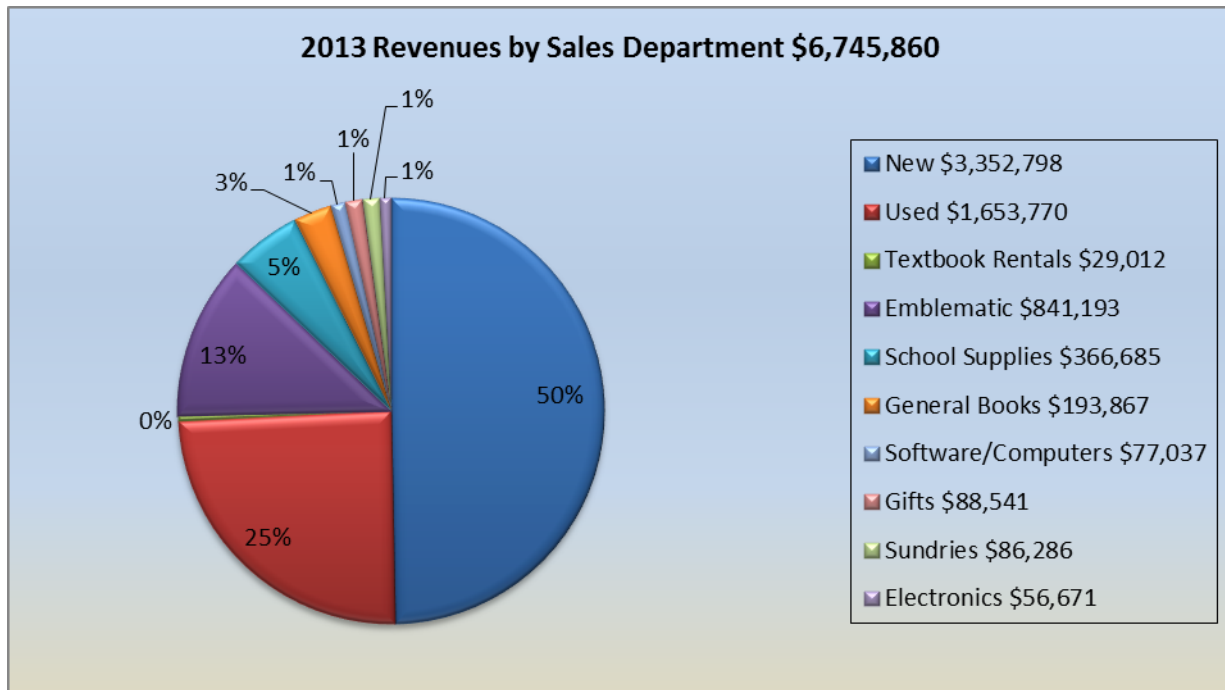
June 30, 2014 and 2013

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

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

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





Revenues by Sales Department

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

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

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

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

Fiscal 2014 revenue for the course books rented directly from the Bookstore was \$66,585 up \$37,573 (129.5%) from \$29,012 in fiscal 2013. The cost of goods sold calculated for direct Bookstore rentals includes a mark down to retail inventory value when new textbooks are rented with the mark down amount expensed to used

ASSOCIATED STUDENTS BOOKSTORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

textbooks cost of goods sold. At the end of each quarter, the marked down inventory value of all new textbooks rented was transferred to used textbooks inventory. When the Bookstore sold used rental textbooks to students or wholesalers, cost of goods sold was calculated for used textbook sales.

Emblematic sales of \$809,552 decreased \$31,641 (-3.8%) from fiscal 2013 sales of \$841,193. Fiscal 2013 sales decreased \$20,189 (-2.3%) from \$861,382 in fiscal 2012. The fiscal 2014 decrease in emblematic sales was largely the result of difficulties in getting products from one the Bookstore's primary vendors. Larger emblematic sales during fiscal 2012 were due in part to the March 24, 2012 WWU Men's Basketball NCAA Division II Championship.

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

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

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

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

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

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

Expenses by Major Source

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

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

June 30, 2014 and 2013

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

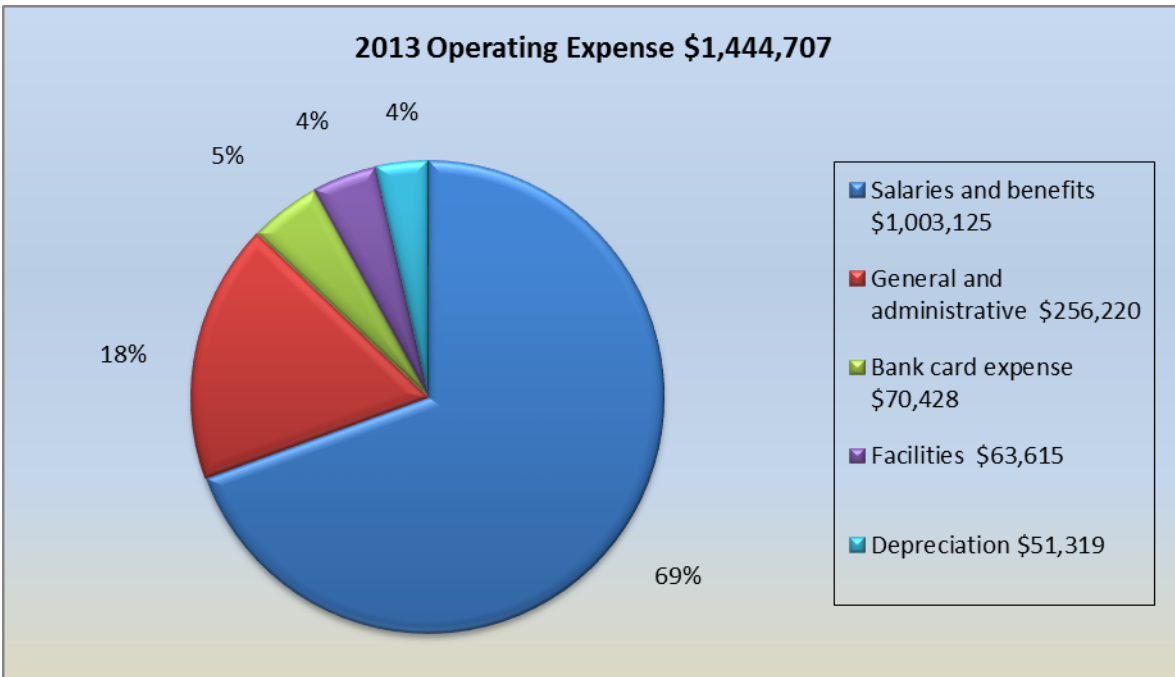
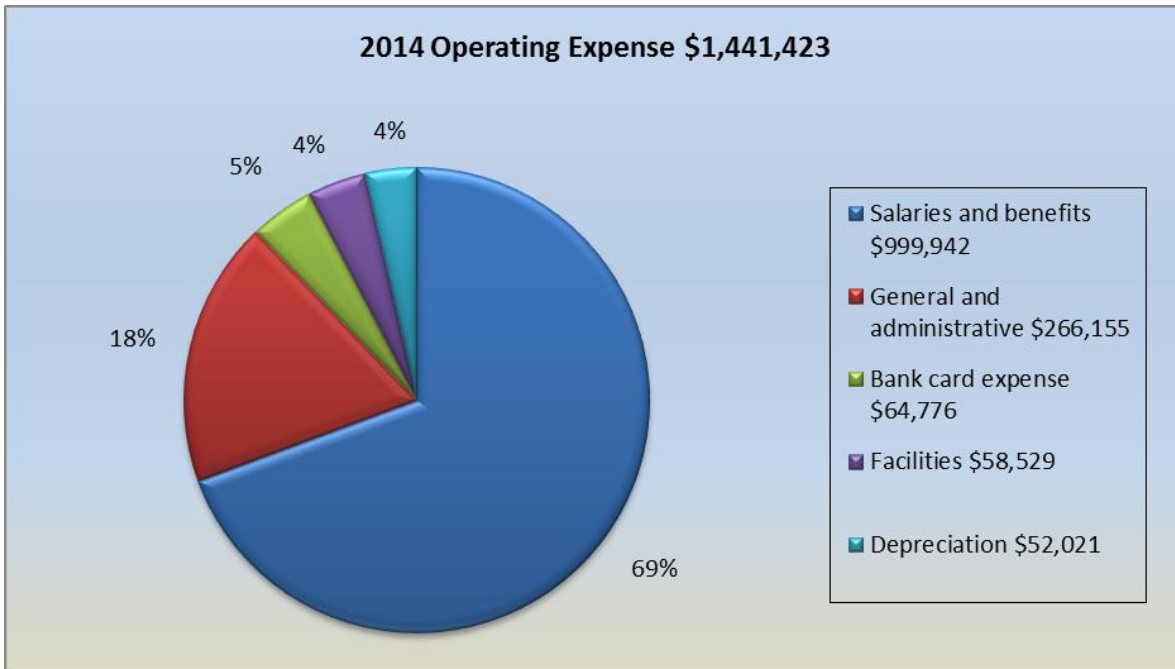
General and Administrative expenses increased \$9,935 (3.9%) due in large part to increases in purchased computer services and university administrative assessment fees. General and Administrative expenses decreased \$39,043 (-13.2%) in fiscal 2013 due to the fiscal 2013 change that expensed freight costs for textbook returns in cost of goods sold instead of including these freight costs in freight/transportation expense.

Bank card expense declined \$5,652 (-8.0%) in fiscal 2014 and \$6,875 (-8.9%) in fiscal 2013. Bank card charges continued to decline as a result of students charging Bookstore purchases to their student accounts. In fiscal 2013, the Bookstore also started processing all bank card transactions as credit transactions and stopped using the pin debit option lowering card swipe fees.

Facilities expenses decreased \$5,086 (-8.0%) from fiscal 2013 and decreased \$841 (-1.3%) in fiscal 2013 from fiscal 2012. A significant decrease in repairs and maintenance expense contributed to the fiscal 2014 decrease. A number of facilities projects were initiated in fiscal 2014 that will be completed in fiscal 2015.

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

Total nonoperating expenses in fiscal 2014 increased \$3,892 (4.7%). A \$50,000 distribution from the ASWWU to the Bookstore offset a \$56,193 (123.8%) increase in the distribution from the Bookstore to the ASWWU. Total nonoperating expenses in fiscal 2013 increased \$33,397 (68.1%) with no distribution from the ASWWU to the Bookstore compared to a \$34,000 distribution to the Bookstore in fiscal 2012. Nonoperating expenses include distributions from the Bookstore to the ASWWU as part of a revenue sharing agreement along with distributions to Athletics based on emblematic sales. Total distributions payable from the Bookstore increased \$54,611 (62.4%) in fiscal 2014 and decreased \$1,356 (-1.5%) in fiscal 2013 from fiscal 2012.



Economic Factors and Significant Events

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

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

June 30, 2014 and 2013

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

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

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

The trend in Bookstore on-line sales continued to reflect the larger cultural shopping trend. On-line sales increased robustly again in fiscal 2014. On-line textbook sales reached \$2,056,107 (40.6% of all textbook sales) up \$270,647 (15.2%) from fiscal 2013 on-line textbook sales of \$1,785,459 (35.7% of all textbook sales) up \$504,739 (39.4%) from \$1,280,720 (27.5% of all textbook sales) in fiscal 2012. Bookstore on-line order policy changed in fiscal 2011 following student shopping preferences, allowing students to order textbooks on-line throughout the quarter without a deadline.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 21, 2014

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

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Associated Students Bookstore (the Bookstore), Whatcom County, Washington, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Bookstore's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bookstore's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bookstore's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Students Bookstore, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of Western Washington University Associated Student Bookstore, a department of the University, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2014 and 2013, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Sincerely,

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

TROY KELLEY
STATE AUDITOR

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

June 30, 2014 and 2013

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

ASSOCIATED STUDENTS BOOKSTORE**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***June 30, 2014 and 2013*

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

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

June 30, 2014 and 2013

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

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

June 30, 2014 and 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Financial Statements Presentation

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

Basis of Accounting

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$9,965 and \$6,903 at June 30, 2014 and 2013 respectively, is adequate. Credits due from publishers represent amounts due from returned merchandise.

Inventory

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

Improvements and Equipment

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

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

June 30, 2014 and 2013

Net Position

The Bookstore's net positions are classified as follows:

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

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

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

Classification of Revenues, Expenses, and Transfers

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

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

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

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

Tax Exemption

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Assessment

WWU provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

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

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

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

NOTE 3. RECEIVABLES

Receivables at June 30, 2014 and 2013 include:

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

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement was extended until June 30, 2014. There was a distribution of \$101,597 in fiscal 2014, and \$45,404 in fiscal 2013.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2014 and 2013 were \$40,478 and \$42,060 respectively.

NOTE 5. CAPITAL ASSETS, NET

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

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

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

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

NOTE 6. PENSION PLAN

Bookstore employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). PERS is a defined benefit pension plan. WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service. The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

WWURP is a defined contribution single-employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During fiscal year ending June 30, 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

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

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

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

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SUPPLEMENTAL INFORMATION

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

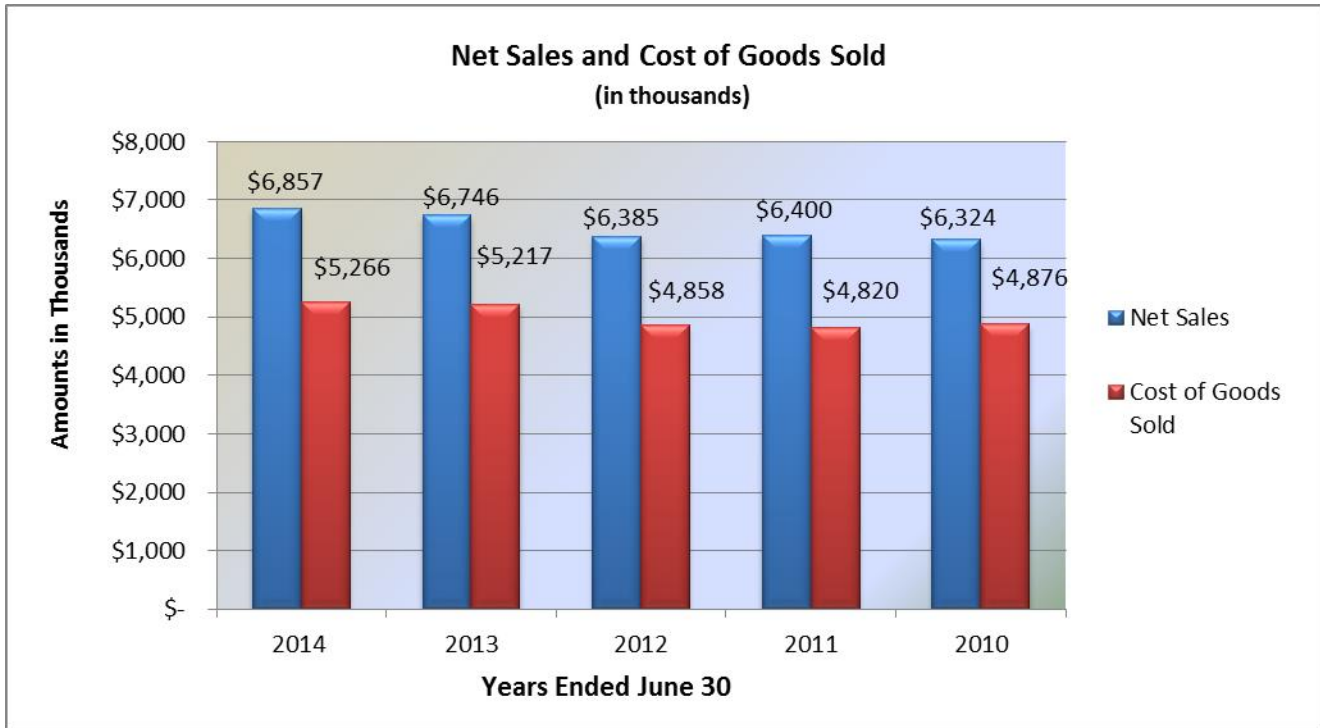
| Assets | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Current assets | \$2,520,680 | \$2,533,957 | \$2,583,960 | \$2,238,423 | \$2,783,788 |
| Non-current assets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

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

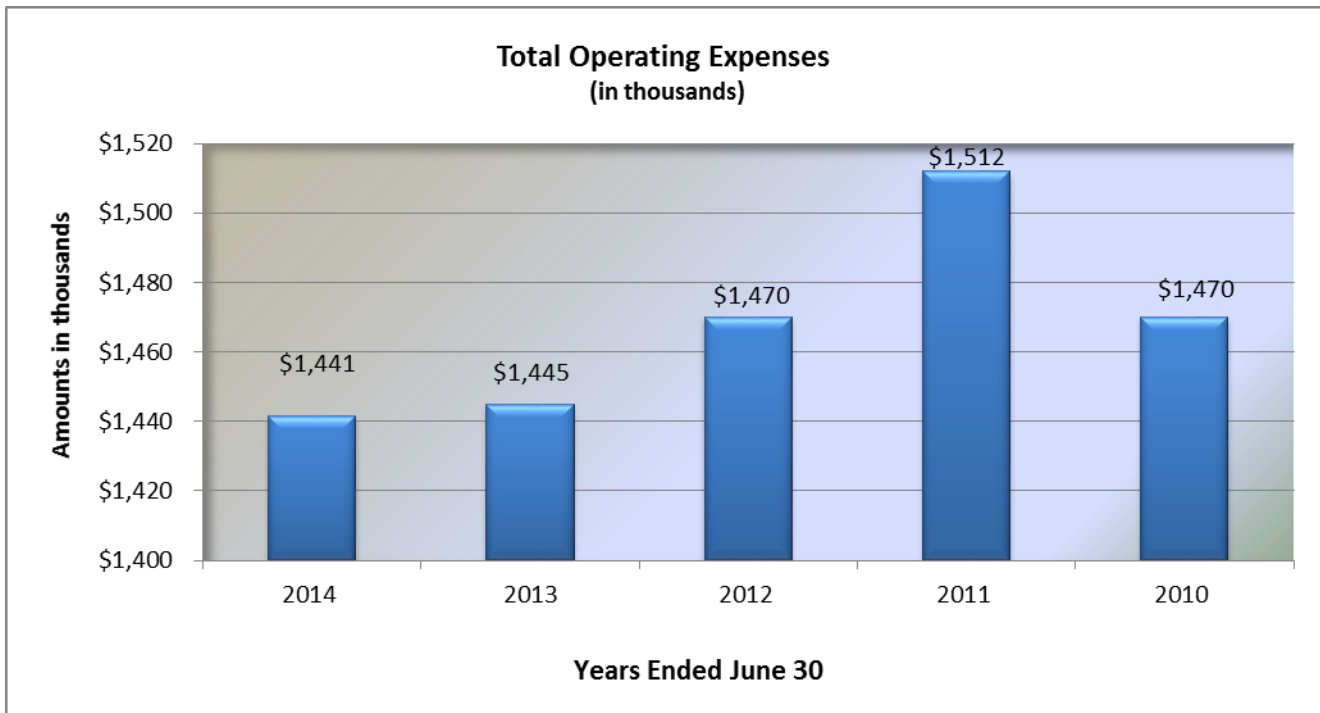
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Net sales | \$6,857,195 | \$6,745,860 | \$6,384,528 | \$6,399,545 | \$6,323,888 |
| Cost of goods sold | 5,265,778 | 5,217,483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

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

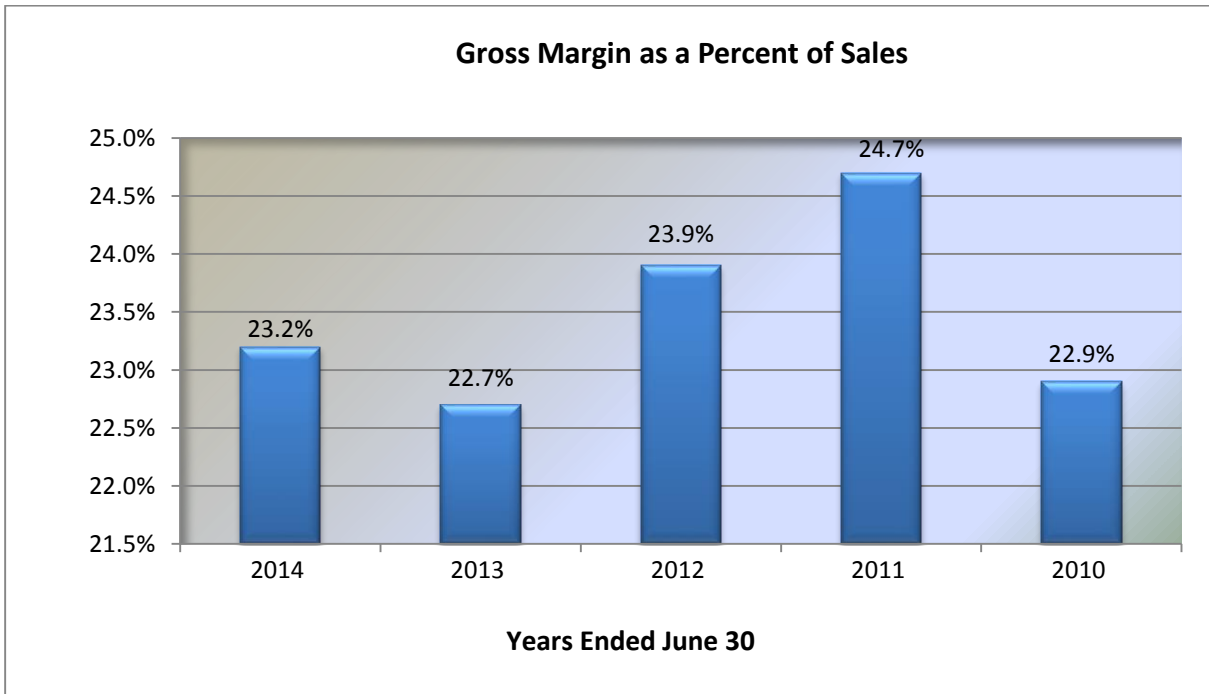
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



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



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PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

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, 2014, 2013, and 2012. 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, 2014, 2013 and 2012:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----------------------------------|--------------------|--------------------|--------------------|
| Assets | | | |
| Current assets | \$600,503 | \$697,689 | \$826,843 |
| Noncurrent assets | 477,848 | 266,328 | 249,831 |
| Land | 3,503,223 | 3,503,223 | 3,503,223 |
| Capital assets, net | <u>599,724</u> | <u>643,948</u> | <u>713,435</u> |
| Total assets | 5,181,298 | 5,111,188 | 5,293,332 |
| Liabilities | | | |
| Current liabilities | 322,515 | 427,415 | 425,975 |
| Noncurrent liabilities | <u>1,820,000</u> | <u>1,935,000</u> | <u>2,070,885</u> |
| Total liabilities | 2,142,515 | 2,362,415 | 2,496,860 |
| Net Position | | | |
| Net investment in capital assets | 2,167,947 | 2,063,612 | 2,002,949 |
| Unrestricted | <u>870,836</u> | <u>685,161</u> | <u>793,523</u> |
| Total net position | <u>\$3,038,783</u> | <u>\$2,748,773</u> | <u>\$2,796,472</u> |

PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

Total current assets decreased \$97,186 (-13.9%) during fiscal 2014 primarily due to a decrease in accounts receivable, as the remaining Federal Transit Administration (FTA) grant funds for the Lincoln Creek Transportation Center (LCTC) were received. The 15.6% decrease in total current assets in fiscal 2013 compared to fiscal 2012 is attributable to a decrease in combined cash, cash equivalents and investments offset by an increase in accounts receivable. Cash, cash equivalents and investments decreased due to lower revenues in fiscal 2013 as well as a reallocation to longer term investments. The fiscal 2013 increase in accounts receivable is due to accrued unbilled grant expenditures for the (LCTC).

Total noncurrent assets, excluding capital assets, increased \$211,520 due to an increase in long-term investments as Parking continues to build the appropriate level of reserves. Total noncurrent assets, excluding land and capital assets, increased during fiscal 2013 by \$16,497 (6.6%) primarily due to the reallocation from short-term to long-term investments.

Capital assets, net decreased \$44,224 during fiscal 2014, due to depreciation offset by the purchase of a \$23,323 new vehicle. Capital assets, net decreased \$69,487 (-9.7%) during fiscal 2013 due to depreciation and amortization and no additional purchases of capital assets.

Current liabilities decreased \$104,900 during fiscal 2014 due primarily to decreases in accounts payable (timing of invoices payments), accrued salaries and benefits and the payoff of the Certificate of Participation for parking boxes (Note 4). Current liabilities increased only slightly (0.3%) during fiscal 2013. Noncurrent liabilities decreased 6% during fiscal 2014 and 6.6% during fiscal 2013 due to principal payments made on existing long-term notes payable.

Total net position increased \$290,010 during fiscal 2014 due to increases in net investment in capital assets from continued principal payments on debt, as well as the transfer of certain institutional expenses from Parking Services to the University. 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 due to the use of unrestricted reserves for operations.

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, 2014, 2013 and 2012:

PARKING SERVICES***MANAGEMENT'S DISCUSSION AND ANALYSIS******June 30, 2014 and 2013***

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|--------------------|--------------------|--------------------|
| Operating revenues | \$1,697,403 | \$1,603,727 | \$1,657,788 |
| Operating expenses | <u>(1,548,945)</u> | <u>(1,690,591)</u> | <u>(1,668,440)</u> |
| Operating income | 148,458 | (86,864) | (10,652) |
| Nonoperating (expenses) revenues | <u>141,552</u> | <u>(83,632)</u> | <u>(65,268)</u> |
| Income from operating and non-operating activities | 290,010 | (170,496) | (75,920) |
| Capital grant revenue | - | 122,797 | 36,385 |
| Increase in net position | <u>290,010</u> | <u>(47,699)</u> | <u>(39,535)</u> |
| Net position, beginning of year | <u>2,748,773</u> | <u>2,796,472</u> | <u>2,836,007</u> |
| Net position, end of year | <u>\$3,038,783</u> | <u>\$2,748,773</u> | <u>\$2,796,472</u> |

Revenues

Parking permit revenue comprises the largest source of revenue for Parking Services. Permit revenue increased \$43,867 (4.11%) when comparing fiscal 2014 to fiscal 2013 due to additional permits sold in the 12A employee parking lot and the 16CR resident overflow parking. Permit revenue decreased \$9,486 (-0.9%) when comparing fiscal 2013 to fiscal 2012 due to a decrease in visitor permit sales.

Visitors or potential students may select to use a free standing pay station machine or a coin meter rather than purchasing a permit. Parking meter and pay box revenues increased 3.07% when comparing fiscal 2014 to fiscal 2013 and 4.4% when comparing fiscal 2013 to fiscal 2012 due to the increased use of self-serve pay stations.

Parking fines revenue increased \$40,802 (15.27 %) when comparing fiscal 2014 to fiscal 2013 as Parking Services resumed a monthly billing schedule. Parking fines revenue decreased \$47,345 (-15.1 %) when comparing fiscal 2013 to fiscal 2012 due to the disruption of regular billing as a result of implementing a new system.

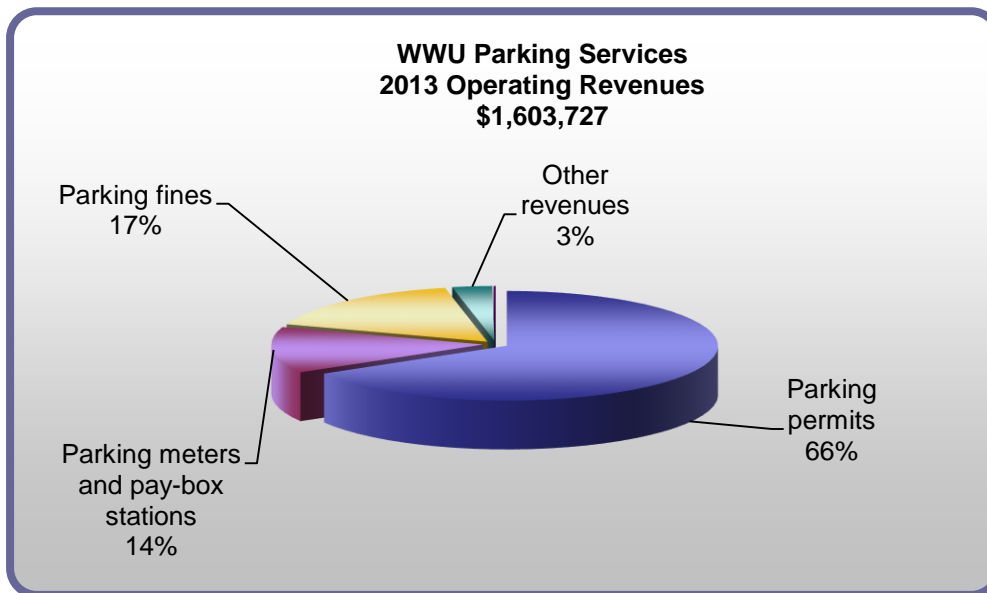
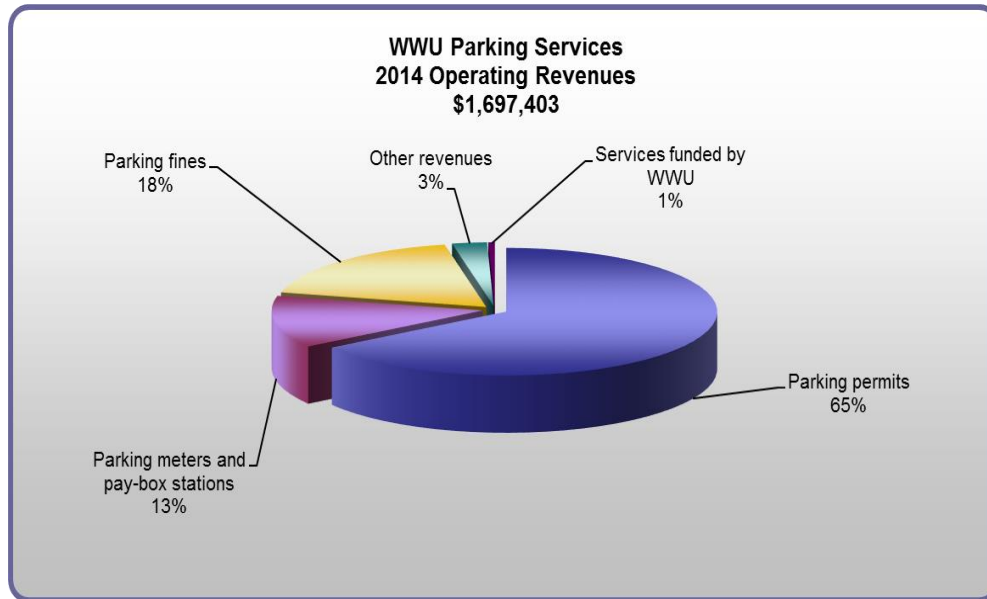
Other revenues decreased \$3,529 (-7.23%) when comparing fiscal 2014 to fiscal 2013, due to decrease in event lot rentals. Other revenues decreased \$6,409 (-11.6%) when comparing fiscal 2013 to fiscal 2012, as fiscal 2012 includes two months in funding received for the Miller Hall project. Funding was 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.

Capital grant revenue decreased to \$0 in fiscal 2014 as the FTA grant ended. Capital grant revenue increased \$86,412 in fiscal 2013 due the lighting and security added to the LCTC parking lot using FTA grant funds.

PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013



Expenses

Salaries and benefits decreased \$100,761 (9.34%) when comparing fiscal 2014 to fiscal 2013 due to the reallocation of position funding for several positions, including Emergency Communications, to the University as institutional 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.

During fiscal 2014 Parking Services began implementation of the on-line permit and citation payment function within the T-2 system, which increased contract services expense by \$50,762 (69.1%) over fiscal 2013. Contract services expense decreased \$9,828 (-11.8%) when comparing fiscal 2013 to fiscal 2012 due to a decrease in pay station warranty fees.

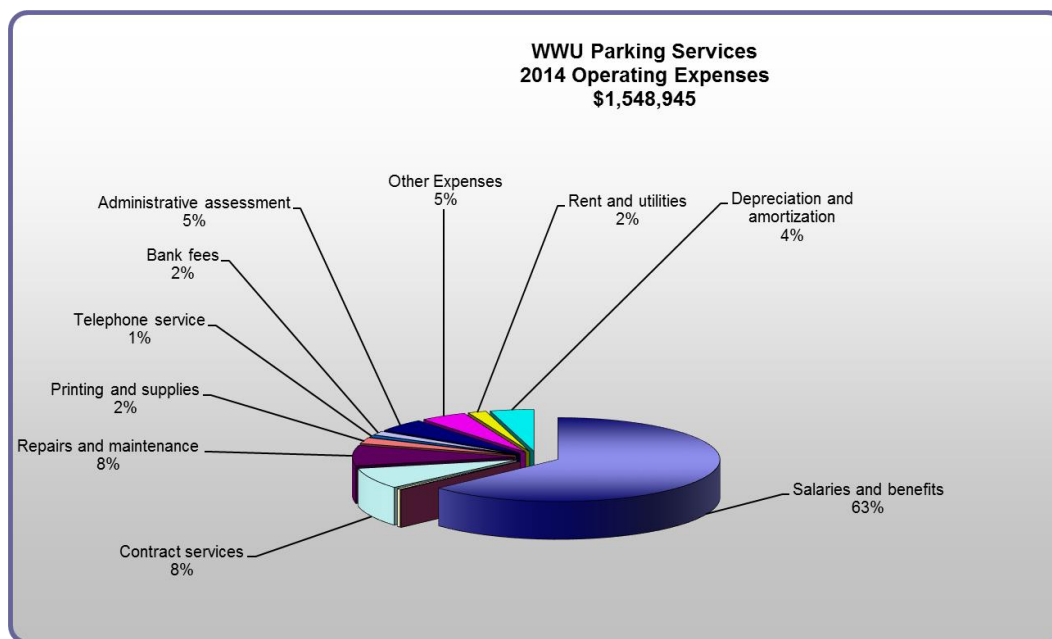
PARKING SERVICES

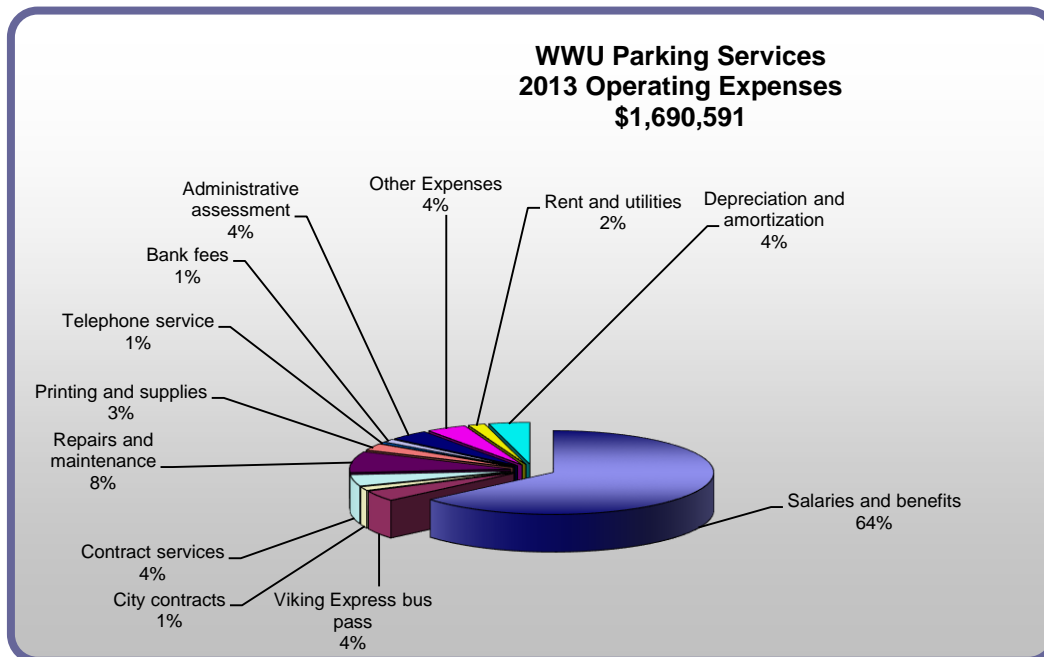
MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

The Viking Express staff subsidy decreased from \$68,762 in fiscal 2013 to \$1,781 in fiscal 2014 as the funding for this expense has been reallocated from Parking Services to the University as institutional expense. The city of Bellingham contract for administering the Residential Parking Zone decreased from \$23,965 in fiscal 2013 to \$5,875 in fiscal 2014. The contract expires in September, 2014. The administrative assessment fee, which is calculated based on revenues, increased \$10,381 (15.38%) when comparing fiscal 2014 to fiscal 2013 due to the increase of overall revenue totaling \$93,676. The administrative assessment fee decreased \$3,165 (-4.5%) when comparing fiscal 2013 to fiscal 2012 due to the decrease of overall revenue totaling \$54,061.

Nonoperating (expenses) revenues increased \$225,184 in fiscal 2014 as a result of bond issuance costs having been completely amortized in fiscal 2013 as well as \$194,155 institutional support provided for LCTC debt service payments.





Economic Factors and Significant Events

Parking Services has started an operational review. As part of that review a maintenance and improvement plan is being developed and if supported by the PTAC committee and advanced by the administration the plan will address the current backlog of maintenance and outlay of maintenance expenses in the most efficient means possible.

New pay stations and handheld ticket writers are scheduled to be purchased in fiscal year 2015. If approved the result will be an increase in other expenses and contract services, the cost of which will be offset by labor efficiencies.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 21, 2014

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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Parking Service's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parking Service'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 Parking Service's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Parking Services, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of Western Washington University Parking Services, a department of the University, are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of Parking Services. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2014 and 2013, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

PARKING SERVICES
STATEMENT OF NET POSITION

June 30, 2014 and 2013

| Assets | 2014 | 2013 |
|---|--------------------|--------------------|
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$445,836 | \$335,724 |
| Investments (Note 2) | 154,614 | 200,507 |
| Accounts receivable | 23 | 118,699 |
| Prepaid expenses | 30 | 42,759 |
| Total current assets | <u>600,503</u> | <u>697,689</u> |
| Noncurrent assets | | |
| Investments (Note 2) | 477,848 | 266,328 |
| Land (Note 5) | 3,503,223 | 3,503,223 |
| Capital assets, net (Note 5) | 599,724 | 643,948 |
| Other assets | - | - |
| Total noncurrent assets | <u>4,580,795</u> | <u>4,413,499</u> |
| Total assets | <u>5,181,298</u> | <u>5,111,188</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 25,114 | 66,365 |
| Accrued salaries and benefits | 85,515 | 112,571 |
| Current portion of notes payable (Note 4) | 115,000 | 148,559 |
| Unearned revenue | 96,886 | 99,920 |
| Total current liabilities | <u>322,515</u> | <u>427,415</u> |
| Noncurrent liabilities | | |
| Note payable, less current portion (Note 4) | <u>1,820,000</u> | <u>1,935,000</u> |
| Total liabilities | <u>2,142,515</u> | <u>2,362,415</u> |
| Net Position | | |
| Net investment in capital assets | 2,167,947 | 2,063,612 |
| Unrestricted | 870,836 | 685,161 |
| Total net position | <u>\$3,038,783</u> | <u>\$2,748,773</u> |

PARKING SERVICES**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

June 30, 2014 and 2013

| | 2014 | 2013 |
|--|---------------------------|---------------------------|
| Operating Revenues | | |
| Parking permits | \$1,111,147 | \$1,067,280 |
| Parking meters and pay box stations | 224,559 | 217,868 |
| Parking fines | 307,996 | 267,194 |
| Other revenues | 45,264 | 48,793 |
| Services funded by WWU | 8,437 | 2,592 |
| Total operating revenues | <u>1,697,403</u> | <u>1,603,727</u> |
| Operating Expenses | | |
| Salaries and benefits | 977,729 | 1,078,490 |
| Viking Express bus pass | 1,781 | 68,762 |
| City contracts | 5,875 | 23,965 |
| Contract services | 124,258 | 73,496 |
| Repairs and maintenance | 121,487 | 136,976 |
| Printing and supplies | 35,878 | 44,157 |
| Telephone service | 13,585 | 9,992 |
| Bank fees | 23,006 | 20,623 |
| Administrative assessment | 77,872 | 67,491 |
| Other expenses | 71,584 | 68,321 |
| Rent and utilities | 28,343 | 28,831 |
| Depreciation and amortization | 67,547 | 69,487 |
| Total operating expenses | <u>1,548,945</u> | <u>1,690,591</u> |
| Operating income | 148,458 | (86,864) |
| Nonoperating Revenues (Expenses) | | |
| Contribution for building rent and utilities | 28,343 | 28,831 |
| Institutional Support | 194,155 | |
| Interest income | 3,340 | 3,135 |
| Interest on indebtedness | (84,286) | (89,339) |
| Amortization of bond issuance costs | - | (26,259) |
| Total nonoperating (expenses) revenues | <u>141,552</u> | <u>(83,632)</u> |
| Income before capital grant revenue | 290,010 | (170,496) |
| Capital Grant Revenue | <u>-</u> | <u>122,797</u> |
| Decrease in Net Position | 290,010 | (47,699) |
| Total Net Position, Beginning of Year | <u>2,748,773</u> | <u>2,796,472</u> |
| Total Net Position, End of Year | <u><u>\$3,038,783</u></u> | <u><u>\$2,748,773</u></u> |

See Accompanying Notes to the Financial Statements

PARKING SERVICES
STATEMENT OF CASH FLOWS

June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------|--------------------------|
| Cash flows from operating activities | | |
| Cash received from students, employees and visitors | \$1,804,608 | \$1,498,536 |
| Cash received from the university | 8,437 | 2,592 |
| Cash paid to employees | (1,004,784) | (1,079,538) |
| Cash paid to suppliers | (473,849) | (510,464) |
| Net cash provided by operating activities | <u>334,412</u> | <u>(88,874)</u> |
| Cash flows from investing activities | | |
| Interest income received | 3,340 | 3,135 |
| Net sales of investments in internal pool | (165,627) | 17,318 |
| Net cash provided by investing activities | <u>(162,287)</u> | <u>20,453</u> |
| Cash flows from capital and related financing activities | | |
| Cash received from grant revenue | - | 122,797 |
| Institutional support for debt service payments | 194,155 | - |
| Payments on note payable | (148,559) | (142,824) |
| Purchase of capital assets | (23,323) | - |
| Interest paid on indebtedness | (84,286) | (89,339) |
| Net cash provided by (used in) capital and related financing activities | <u>(62,013)</u> | <u>(109,366)</u> |
| Net decrease in cash and cash equivalents | 110,112 | (177,787) |
| Cash and cash equivalents, beginning of year | <u>335,724</u> | <u>513,511</u> |
| Cash and cash equivalents, end of year | <u><u>\$445,836</u></u> | <u><u>\$335,724</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | \$148,458 | (\$86,864) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Loss on disposal of fixed asset | - | - |
| Depreciation and amortization | 67,547 | 69,487 |
| Contributed building rent and utilities | 28,343 | 28,831 |
| Net changes in assets and liabilities | | |
| Receivables | 118,676 | (99,863) |
| Prepaid | 42,729 | 3,829 |
| Accounts payable and accrued liabilities | (41,251) | (509) |
| Accrued salaries and benefits | (27,056) | (1,049) |
| Deferred revenue | (3,034) | (2,736) |
| Net cash provided by operating activities | <u><u>\$334,412</u></u> | <u><u>(\$88,874)</u></u> |

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 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.

Unearned Revenue and Revenue Recognition

Unearned revenues are parking permit sales collected in advance that relate to subsequent accounting periods.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 \$77,872 and \$67,491 for fiscal years ended June 30, 2014 and 2013, 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.

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

PARKING SERVICES**NOTES TO THE FINANCIAL STATEMENTS***June 30, 2014 and 2013*

obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

| | 2014 | Weighted Average Maturity (in years) | 2013 | Weighted Average Maturity (in years) |
|---------------------------|--------------------|---|------------------|---|
| Cash and cash equivalents | \$445,836 | 0.001 | \$335,724 | 0.001 |
| Investments | | | | |
| Certificates of deposit | 62,525 | 2.033 | 50,594 | 0.057 |
| U.S. Treasuries | 51,843 | 1.085 | | |
| U.S. Agencies | <u>518,094</u> | 2.657 | <u>416,241</u> | 1.311 |
| | <u>\$1,078,298</u> | | <u>\$802,559</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. The project was funded with a Federal Transit Administration (FTA) grant, which ended in 2013.

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 \$1,935,000 at June 30, 2014.

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

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

| <u>Notes Payable</u> | <u>Balance June 30, 2013</u> | <u>Additions</u> | <u>Payments</u> | <u>Amortization of Discount</u> | <u>Balance June 30, 2014</u> | <u>Current Portion</u> |
|-------------------------------|----------------------------------|------------------|-----------------|-------------------------------------|----------------------------------|----------------------------|
| Certificates of Participation | \$2,083,559 | - | (148,559) | - | \$1,935,000 | \$115,000 |

| <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 |

Parking Services debt service requirements for this agreement for the next five years and thereafter are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2015 | 115,000 | 79,655 |
| 2016 | 120,000 | 74,955 |
| 2017 | 125,000 | 70,055 |
| 2018 | 130,000 | 64,955 |
| 2019 | 135,000 | 59,655 |
| 2020-2024 | 765,000 | 206,468 |
| 2025-2027 | 545,000 | 37,353 |
| Total | <u>1,935,000</u> | <u>593,096</u> |

NOTE 5. LAND AND CAPITAL ASSETS, NET

The depreciation and amortization expense for the fiscal years ended June 30, 2014 and 2013 was \$67,547 and \$69,487, respectively.

PARKING SERVICES
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

Following are the changes in capital assets for the year ended June 30, 2014:

| | June 30, 2013 | Additions | Retirements | Transfers | June 30, 2014 |
|--|------------------|-------------------|-----------------|-----------|------------------|
| Land | \$3,503,223 | \$ - | \$ - | \$ - | \$3,503,223 |
| Capital Assets | | | | | |
| Pay-box stations | 148,650 | - | - | - | 148,650 |
| Vehicles and equipment | 177,923 | 23,323 | (17,054) | - | 184,192 |
| Improvements other than building | 1,019,303 | - | - | - | 1,019,303 |
| Total capital assets | 1,345,876 | 23,323 | (17,054) | - | 1,352,145 |
| Accumulated depreciation | (351,753) | (67,547) | 17,054 | - | (402,246) |
| Accumulated amortization | (350,175) | - | - | - | (350,175) |
| Total depreciation and amortization | (701,928) | (67,547) | 17,054 | - | (752,421) |
| Capital assets, net | \$643,948 | (\$44,224) | \$ - | - | \$599,724 |

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

| | June 30, 2012 | Additions | Retirements | Transfers | June 30, 2013 |
|--|------------------|-------------------|-------------|-----------|------------------|
| Land | \$3,503,223 | \$ - | \$ - | \$ - | \$3,503,223 |
| 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 |
| Total capital assets | 1,345,876 | - | - | - | 1,345,876 |
| Accumulated depreciation | (282,266) | (69,487) | - | - | (351,753) |
| Accumulated amortization | (350,175) | - | - | - | (350,175) |
| Total depreciation and amortization | (632,441) | (69,487) | - | - | (701,928) |
| Capital assets, net | \$713,435 | (\$69,487) | \$ - | - | \$643,948 |

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

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

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. 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 \$53,054, \$49,877 and \$49,593 to these plans in fiscal 2014, 2013 and 2012, 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

DATE: December 12, 2014

SUBJECT: **Student Right-to-Know/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 2014

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/vpress/annualsafetyreport.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 2013, 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 2014-2015 [Security and Fire Safety Report](#), on pages 15-17.

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.

Prevention and outreach efforts

Western has continued its commitment to actively provide outreach and educational programming to the Western community in regards to sexual misconduct and the resources available on campus and in the community. Prevention and Wellness has been providing, and continues to provide, training on bystander intervention to varsity athletic teams, club sports, and to all students via an online tutorial. Additionally, programs to prevent domestic violence, dating violence, sexual assault and stalking are provided to the Associated Students Board and Resource and Outreach Programs Coordinators; University Police; students studying abroad (during pre-departure); international students; and resident advisors. These ongoing prevention efforts will be reviewed and adjusted as needed and will meet the additional to ensure compliance with the new requirements in the Campus Sexual Assault Violence Elimination Act (SaVE Act) provision of the Violence Against Women Reauthorization Act (2013).

Notable Changes in Crime Statistics in 2013:

- With changes in federal legislation, including the passage of the Campus Sexual Assault Violence Elimination Act (SaVE Act) provision of the Violence Against Women Reauthorization Act (2013), higher education institutions will be required to include crime statistics on stalking and domestic violence. Although not yet required, Western included those statistics in this year’s report. In the future, dating violence statistics will also be included.
- Two of the three reported “Forcible Sex Offenses” on Western’s campus were investigated and referred to the Whatcom County Prosecutor’s office; in the third, the person making the complaint refused to press charges.

DATE FOR NEXT REGULAR MEETING

- **February 12 & 13, 2015**
 - **Alexis Hotel, Seattle, WA**

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 12, 2014

SUBJECT: University Presentation – Concussion in Young Athletes
Dr. Michael Fraas, Department of Communication Sciences and Disorders

PURPOSE: Presentation

Purpose of Submittal:

Dr. Fraas' research agenda focuses on the rehabilitation of individuals with acquired brain injury (ABI) following traumatic brain injury (TBI) and cerebral vascular accident (i.e. stroke). Specifically, he has been interested in issues related to sport concussion. In 2011, Dr. Fraas spent the summer in Ireland working with the Irish Rugby Football Union; Ireland's governing body for professional rugby. Together, they provided the first ever published account of the rate of concussion among athletes in professional Irish rugby. These findings were published this year in the journal *Physical Therapy in Sport* (Fraas, Coughlan, Hart, & McCarthy, 2014a). A follow up article that reports the concussion knowledge and management practices among coaches and medical staff in Irish professional rugby was published in the *Irish Journal of Medical Science* (Fraas, et al., 2014b).

Currently, Dr. Fraas is examining changes in speech evident in the concussed athlete. This past spring, his graduate student Juliana DeBurgo, identified subtle but measurable changes in rate and timing of speech production in the concussed athlete. Dr. Fraas has been working with Clark Cripps, Assistant Director of Sport Clubs at Western to schedule athletes for baseline data collection and to refer concussed athletes for follow up testing. This winter, Dr. Fraas will be working with Western Alum Brian Weeda, a local physical therapist, and Assistant Professor Dr. Jun San Juan in the Department of Physical Education, Health, and Recreation at Western, to develop a concussion program for 600-700 athletes participating in Rangers FC youth soccer league.

Dr. Fraas is also interested in how cognitive functioning following stroke interferes with motor performance. Dr. Fraas and his colleagues from the American Congress of Rehabilitation Medicine examined cognitive-motor interference (CMI) during functional mobility tasks (e.g. walking). They proposed a framework for categorizing CMI, which explained the specific patterns of CMI evident in patients following stroke. Their findings were published last year in *Archives of Physical Medicine and Rehabilitation* (Plummer, et al., 2013). Dr. Fraas is working with his colleague Dr. Prue Plummer from the University of North Carolina – Chapel Hill to do a follow up investigation to determine whether differences in CMI are evident in left hemisphere vs. right hemisphere stroke survivors. Two of Dr. Fraas' graduate students, Amber Hagel and Shandra Knapsted, are currently assisting him with this work.

The area of cognitive rehabilitation is also an area of interest for Dr. Fraas. He currently serves on the Cognitive Rehabilitation Task Force of the American Congress of Rehabilitation Medicine. In 2011, Dr. Fraas and his colleagues published a systematic review of the literature associated with cognitive rehabilitation, which made suggestions for effective treatments of cognitive-communication disorders. The response to this paper has been substantial. Published in the journal *Archives of Physical Medicine and Rehabilitation* (APMR), the article is currently ranked second on the list of the top 25 most accessed APMR articles by Science Direct (<http://top25.sciencedirect.com/subject/medicine-and-dentistry/17/journal/archives-of-physical-medicine-and-rehabilitation/00039993/archive/50/>). In addition, the findings from the article have been used as evidence by an external review board in Mississippi to overturn the denial by Blue Cross Blue Shields to provide cognitive rehabilitation therapy to people with acquired brain injury. Dr. Fraas and his colleagues are currently working on an article that updates these previous findings.

Supporting Information

Fact Sheet -- attached

Concussion in the Young Athlete: CONSIDERATIONS FOR SAFE RETURN-TO-PLAY AND RETURN-TO-LEARN

MICHAEL FRAAS, PHD, CCC-SLP
DEPARTMENT OF COMMUNICATION SCIENCES & DISORDERS
WESTERN WASHINGTON UNIVERSITY

Concussion is a brain injury

- Caused by direct or indirect force to the head;
- Rapid onset, with short-lived impairments; in most cases;
- May or may not involve a loss of consciousness.
- Approximately 1.6-3.8 million individuals sustain a sport-related concussion each year in the United States.

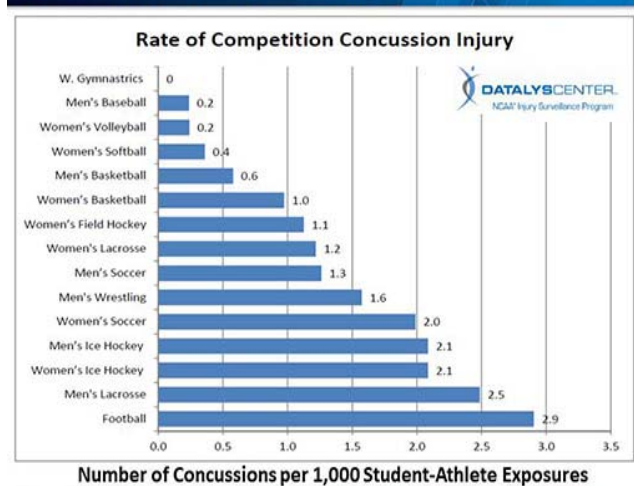
Concussion Myths:

- You need to be “knocked out” to have a concussion: FALSE
- If symptoms quickly clear, you can return to activity the same day: FALSE
- Helmets or mouth guards will prevent concussions: FALSE

Signs and Symptoms:

- Confused/Disoriented
- Difficulty concentrating
- Feeling ‘slowed down’
- Dizziness
- Headache
- Poor balance
- Double vision
- Irritability
- Anxious/Depressed

Figure 1. Rate of Competition Concussion Injury



RESOURCES:

- CDC: <http://www.cdc.gov/Concussion/>
- Heads Up: <http://www.cdc.gov/concussion/headsup/>
- 2012 Zurich Statement: <http://bjsm.bmj.com/content/47/5/250.full.pdf+html>
- Department of Communication Sciences and Disorders Speech-Language Hearing Clinic: <http://www.wvu.edu/csd/speechlanguagehearingclinic.shtml>