

EWU

Eastern Washington University
Annual Report

2003



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Eastern Washington University is a student-centered, regionally based, comprehensive university. Its campus is located in Cheney, within the Spokane metropolitan area, with additional learning centers in the region and elsewhere in Washington State. Its mission is to prepare broadly educated, technologically proficient, and highly productive citizens to attain meaningful careers, to enjoy enriched lives, and to make contributions to a culturally diverse society. Eastern Washington University will achieve its mission by providing:

- an excellent student-centered learning environment;
- professionally accomplished faculty who are strongly committed to student learning;
- high-quality integrated, interdependent programs that build upon the region's assets and offer a broad range of choices as appropriate to the needs of the university's students and the region; and
- exceptional student support services, resources, and facilities.

Message from the President



Just a few short years ago, EWU embarked on a mission to fulfill a state mandated, multi-year plan to increase our numbers of students substantially. Since that time, we have enjoyed nine consecutive quarters of record enrollment.

Increasing our numbers, however, has been more than a number-crunching exercise. As enrollment has risen, we have consciously restructured our University from a commuting to a residential campus—from being 60 percent commuter to more than 60 percent residential. We have gone from a situation where only 900 of 2,000 residence hall beds were filled, to one in which every bed is occupied and we recently built a brand new residence hall.

As enrollment has risen, we have also invested significant time, energy and resources into improving our relationships with the City of Cheney and into enhancing the quality of our community.

We have initiated a series of investments and partnerships resulting in the physical and academic development of an applied science

complex. By next year, we should see a brand new, 93,000 square-foot School of Computing and Engineering Sciences on the southwest corner of our campus. Directly across the street from it, we will have a new State Digital Archives, the very first state digital archives in the United States. Behind that will be a brand new state crime lab, giving Eastern a forensic science degree program which offers biology, chemistry and physical anthropology courses, while creating a state-of-the-art laboratory where faculty and students can work not only with highly regarded scientists, but with the latest in forensic technology equipment and techniques.

Unfortunately, in spite of all our efforts and collective successes, we have not seen state appropriations to support the full magnitude of our enrollment growth; but we did receive \$350,000 in 2003 to support high demand enrollments in computing sciences and \$750,000 to support the transfer of students from community colleges to our University.

I am encouraged that, for the first time since I have been here at Eastern, legislators are vitally interested in the health, growth and future of higher education. I remain very hopeful for Eastern's future.

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a smaller, more fluid signature.

Stephen M. Jordan, Ph.D.

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Introduction

Eastern Washington University's 1st Annual Puget Sound Civic Breakfast was held at the beautiful Four Seasons Olympic Hotel in downtown Seattle with great success. The event met all expectations and much more. More than 350 people attended the event. Amongst them were state legislators and alumni. Steve Ballmer, Microsoft's Chief Executive Officer talked about higher education and Washington's economic future.

Once again, Eastern continues to set an enrollment record with more than 9,500 students enrolled for spring quarter 2003. This marks the ninth consecutive quarter of enrollment records at EWU. William Ponder, vice president for Student Affairs, noted that the number of students who have confirmed they will be transferring to Eastern from community colleges is up 25 percent from where it was a year ago at this time. In addition, confirmed new freshman are on pace with last year.

A Year of Achievement

As a growing regional university, we are proud of our successes throughout the year. Here are just a few of the accomplishments that Eastern achieved this past year.

For the third year in a row, Eastern Washington University has been named as one of 201 colleges and universities in the publication *Great Colleges for the Real World*. Once again, Eastern was the only public university in Washington state to be named in the 2003-2004 edition. Success in preparing students for careers, access to education and employability after college were the kind of real world criteria used for evaluating institutions across the nation for inclusion.

Eastern ranks in the top 10 among public master degree-granting universities in the 15 western states in the new *U.S. News & World Report's* 2003 edition of America's Best Colleges. EWU is in the top 50 in the west on the overall list,

which includes both public and private institutions.

This year, EWU's accreditation was also reaffirmed by the Commission on Colleges and Universities of the Northwest Association of Schools and of Colleges and Universities.

EWU computer science students ranked seventh in the Pacific Region – and top in the state – in the Association for Computing Machinery (ACM) Pacific Region Programming Contest. EWU was the only Washington institution to place in the top 10. This is the second year that EWU was the state of Washington champion in the competition which challenged 75 teams of high-caliber computer science students from 32 colleges and universities to solve six complex, real-world problems, with a five-hour deadline.

A civil defense product developed by Eastern faculty and graduates has made it on to the pages of *Newsweek* magazine. The Sept. 30 issue of *Newsweek* featured six products shown at the Tech Expo in Washington D.C., sponsored by the Federal Office of Homeland Security. One of them is from the state of Washington – Prime Alert, which detects the presence of biological agents in powders in about five minutes. It is a creation of GenPrime of Spokane, the biotech company founded in 1997 by a group of EWU faculty and graduates, supported by a regional venture fund. Everyone who worked on the Prime Alert project has an EWU connection.

Eastern athletics also had its fair share in achievements this year. The Eastern Washington University men's basketball team made its first-ever appearance in the National Invitational Tournament (NIT) after being selected for the 40-team field.



Funded Projects

Eastern received its largest-ever donation in April. An anonymous \$1 million gift has provided an invigorating start for Eastern Washington University's Woodward Field Renovation Project. It makes up two-thirds of the total price tag of construction of the nearly \$1.6 million Donor Suites and Media Center that comprises the first phase of the renovation project. The \$1 million will be in the form of a matching gift that will be used to motivate other donors to contribute to the project. The project is expected to be completed by fall 2004.

Representative George Nethercutt helped secure \$510,000 for EWU's technology initiative. A consolidated appropriations bill passed by the U.S. Congress included the \$510,000 to assist Eastern Washington University's new School of Computing and Engineering Sciences and the university's developing programs in cyber security, software engineering technology and applied information theory.

The National Endowment for the Arts awarded a \$10,000 grant from its Challenge America Initiative to Eastern Washington University's Stage Door to the Future summer theater program for youth. The award is one of nine grants of either \$5,000 or \$10,000 given to projects within the state of Washington which create "partnerships that will build a healthy and active arts community, and expand understanding about the vital role of the arts in enhancing national creativity, community spirit and the preservation of America's living artistic cultural heritage."

The Chicano Education Program was awarded a \$1.4 million dollar grant from the U.S. Department of Education. This will help the program further reach out to students from migrant and seasonal farm worker backgrounds – to help them attain the goal of higher education. "There is a significant need in the Chicano/Latino community for higher education, particularly in the migrant population," said Carlos

Maldonado, Chicano Education Program director. "This will help us greatly expand a number of our services, and we are honored to have been able to secure this award through a rigorous national application process."

New Programs, Initiatives and Facilities

Eastern has created a new Center for Entrepreneurial Activities to help boost innovative business practices in the Inland Northwest. "As a public regional institution, it is part of our mission to address crucial issues of the region, and helping educate business and would-be business people to be able to respond creatively to the economic needs of the region, is something appropriate for us to do—and something we are glad to be able to do," said Dolores Tremewan Martin, dean of the EWU College of Business and Public Administration, wherein the new Center is located.

A groundbreaking celebration of our new School of Computing & Engineering Sciences building took place in August. The groundbreaking marked a milestone for the innovative project that will enhance programs in computer science, engineering technology and multimedia design, physics and electrical engineering. EWU's School of Computing & Engineering Sciences will provide an integrated curriculum that bridges hardware and software disciplines resulting in better prepared graduates for the 21st Century's high tech workforce.

Campus Activities

Former U.S. Senate Majority Leader George J. Mitchell gave a public address about American foreign policy and how it is perceived around the world on January 29, at the Eastern Washington University campus. The presentation was the second in the EWU Presidential Speaker Series. "Our purpose is to create a series of speakers each year who, through their influence and impact on the world scene, raise the level of dialogue on issues of importance to the region, nation and world," said EWU President Jordan.

The Associated Students of Eastern Washington University presented four dynamic speakers in their EWU Dialogues 2003 Speaker Series. The series seeks to bring to campus individuals with important messages and perspectives about society, the world and/or the arts. The speakers included; Joe Clark, a former drill sergeant who became principal of troubled Eastside High School in Paterson, N.J., in 1984 and promptly expelled 300 students. His tough-talking, tough-discipline, take-personal-responsibility approach to education brought him acclaim, from a cover story in *Time* magazine to a film about his life, *Lean on Me*.



Mariposa, the Bronx-born poet, performance artist, actress, writer, painter, educator and human rights activist also made an appearance on the EWU campus. Her poetry was featured on *Americanos: Latino Life in the U.S.*, a documentary produced by actor Edward James Olmos and seen on HBO.

On April 16, Kadiatou Diallo spoke on campus. She is the mother of Amadou Diallo, the unarmed 23-year-old man killed in a shower of 41 police bullets in 1999 in New York City. That incident brought severe scrutiny to law enforcement and the issue of racial profiling.

On May 7, Showalter Auditorium opened its doors to receive Tracey Gold. Gold is the actress who grew up on television's *Growing Pains* and whose issues with attention deficit disorder and anorexia have received much publicity.

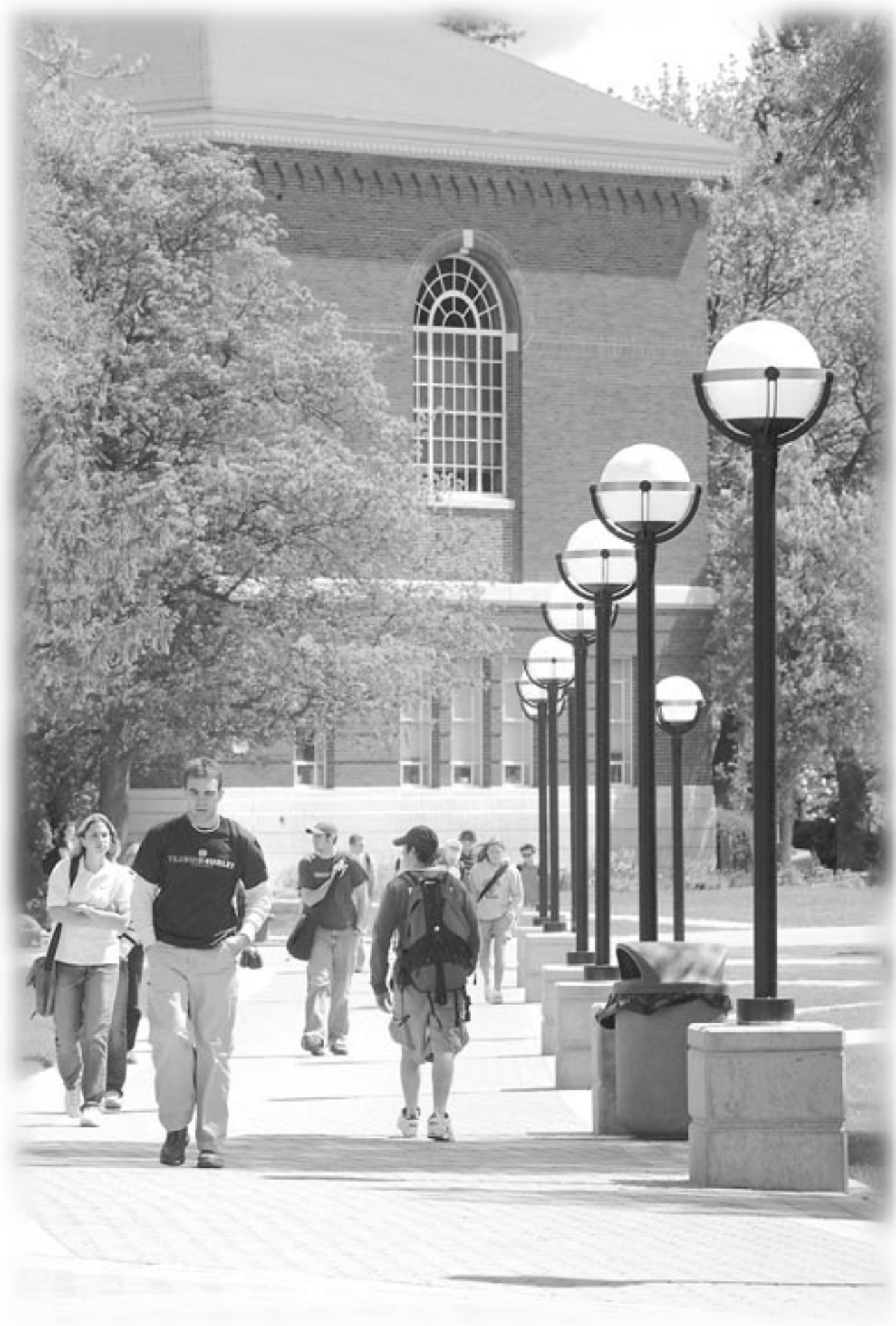
Many of Eastern's academic programs, as well as a large number of clubs and organizations, sponsored various activities and hosted many speakers throughout the year. All of these activities attempted to help students excel socially and academically.

Conclusion

Construction has begun on new facilities at Eastern Washington University. At the same time enrollment has skyrocketed to an all-time high. This proves that Eastern is becoming one of the leading universities in the Pacific Northwest. EWU does strive on a daily basis to offer its students a high quality education comparable to any other major institution in the nation. Eastern offers many opportunities for students to excel academically and socially. The various lectures and programs throughout the school year reinforce the commitment that EWU has towards its students and the community.

As the university grows, new challenges are encountered. Many of these challenges are state funding concerns. However, Eastern will continue to offer a high quality education at an affordable price for its students. EWU will continue to host speakers and events which involve students and will better prepare them for the future.





Financial Section

EWU

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial statements and activities of Eastern Washington University ("the University") for the fiscal year ended June 30, 2003. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnote disclosures which follow this section.

Reporting Entity

Eastern Washington University is one of six state-assisted public institutions of higher education in the state of Washington, with approximately 9,000 students. The University was established in 1882 and its primary purpose is to prepare individuals for successful contributions to society throughout their careers and in their leadership roles as citizens. We provide top quality baccalaureate and graduate education. The University offers baccalaureate degrees in 130 majors. Nine master's degrees, four graduate certificates, 76 graduate programs of study and a doctorate in physical therapy also are offered.

The University's main campus is located in Cheney, Washington, a community of 9,200 residents. Eastern also offers a variety of upper-division and graduate programs at the Riverpoint Higher Education Park and at the EWU Spokane Center in Spokane, Washington, the state's third largest city and a major regional hub for the Inland Northwest.

The University is governed by an eight-member Board of Trustees appointed by the governor of the state with the consent of the Senate. One of the members is a full time student of the University. The members hold their offices for a term of six years with the exception of the student, whose term is one year. By statute, the Board of Trustees has full control of the University and its property of various kinds, except as otherwise provided by law.

Financial Highlights

The University's financial position remains strong at June 30, 2003 with assets of \$233.5 million and liabilities of \$40.6 million, resulting in net assets increasing to \$192.9 million.

Changes in net assets represent the operating activity of the University which results from revenues and expenses. Revenues were \$151.5 million and expenses were \$136.3 million, resulting in an increase to net assets of \$15.2 million for the year ended June 30, 2003.

Overall, the University's financial position improved during fiscal year 2003. Net assets increased by \$15.2 million

from the prior year primarily from the \$5.3 million increase in student tuition and fees and \$10.7 million in capital appropriations. While state appropriations for operating expenses decreased by nearly \$1.7 million in the current year, increased student enrollment and related tuition revenue helped to offset the decline.

Using the Financial Statements

This report consists of three financial statements: the Statement of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the financial condition of the University, the results of operations and cash flows of the University as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the University as a consolidated entity.

The first statement presented is the Statement of Net Assets. The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. Net assets—the difference between assets and liabilities—is an indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the detail of the changes in total net assets for the University. The purpose of the statement is to present the revenues received by the University, both operating and non-operating, and the expenses paid by the University, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University.

In general, operating revenues are received for providing goods and services to the customers of the University, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are non-operating revenue because they are provided by the Legislature in order for the University to carry out the University's mission. The

appropriations are primarily spent on instructional costs and capital improvements.

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents information about cash activity during the year. The statement is divided into five sections. The first section deals with the operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section reflects the cash used for the acquisition and construction of capital and related financing activities. The fourth section reflects the cash flow from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Net Assets

A review of the University's Statement of Net Assets at June 30, 2003 and 2002 shows that the University continues to maintain a strong financial foundation. This financial health reflects prudent utilization of its financial resources including cost controls and maintenance and replacement of capital assets.

A summarized comparison of the University's assets, liabilities and net assets at June 30, 2003 and 2002 is as follows:

Statement of Net Assets
(in thousands)
June 30

	2003	2002
Assets		
Current assets	\$ 40,326	\$ 29,292
Capital, net	166,486	154,930
Other non-current assets	26,752	23,699
Total Assets	<u>233,564</u>	<u>207,921</u>
Liabilities		
Current liabilities	21,635	15,691
Non-current liabilities	19,004	14,532
Total Liabilities	<u>40,639</u>	<u>30,223</u>
Net Assets		
Invested in capital assets, net of related debt	147,274	140,429
Restricted, non-expendable	4,734	4,563
Restricted, expendable	11,571	11,048
Unrestricted	29,346	21,658
Total net assets	<u>\$ 192,925</u>	<u>\$ 177,698</u>

Current assets consist primarily of cash, investments and receivables. Total current assets increased \$11 million, to \$40 million, at June 30, 2003, due primarily to an increase in funds held in cash equivalents and short term investments. Other non-current assets include long-term investments, which totaled \$20.7 million and \$18.1 million respectively at June 30, 2003 and 2002.

The University's largest asset is its investment in capital assets of \$166.5 million and \$154.9 million respectively at June 30, 2003 and 2002, net of accumulated depreciation. Capital assets consist of the University's investments in land, buildings, infrastructure and equipment.

Total current liabilities increased \$5.9 million, to \$21 million, at June 30, 2003, due primarily to an increase in vendor payables for capital asset improvements. The non-current liabilities increased \$4.5 million, to \$19 million, at June 30, 2003, due primarily to an increase in capital leases.

Net assets, as summarized above, represent the residual interest in the University's assets after liabilities are deducted. The "invested in capital assets-net of related debt" category represents the university's equity in property, plant and equipment owned by the institution, that is, the depreciated value of the assets less the amount of outstanding debt owed on the assets. The University continues to develop and renew its capital assets in accordance with a Comprehensive Master Plan which guides the long-range physical development of the campus.

The restricted non-expendable net assets consist primarily of the University's permanent endowments, where the principal is not available for expenditures but for investment purposes only. The restricted expendable net assets primarily include student loans and capital project funds available for expenditure but subject to externally imposed restrictions governing their use.

The unrestricted net assets include funds available for the general and educational purposes of the University. Though these funds are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic programs and initiatives. More than \$5.6 million of unrestricted net assets are designated for auxiliary enterprises, an increase of more than \$1 million in 2003.

Statement of Revenues, Expenses, and Changes in Net Assets

A review of the University's Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2003 and 2002 shows an increase in net assets as a result of operations.

The following statement summarizes total resources, uses, and the change in net assets for the years ended June 30, 2003 and 2002.

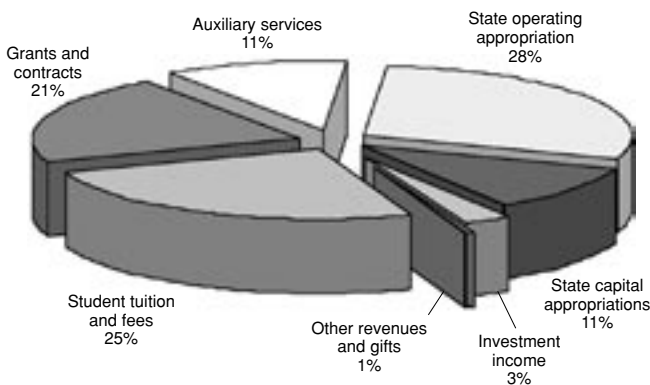
*Statement of Revenues, Expenses, and Changes
in Net Assets
(in thousands)*

For the year ended June 30

	2003	2002
Operating revenues	\$ 87,140	\$ 76,648
Operating expenses	(135,359)	(120,986)
Net operating loss	(48,219)	(44,338)
Non-operating revenues	48,016	49,841
Non-operating expenses	(943)	(825)
Income before other revenues	(1,146)	4,678
Other revenues and expenses	16,372	6,149
Increase in net assets	15,226	10,827
Net assets, beginning of year	<u>177,698</u>	<u>166,871</u>
Net assets, end of year	<u>\$ 192,924</u>	<u>\$ 177,698</u>

The following is a graphic illustration of revenues by source (both operating and non-operating), which are used to fund the University's programs for the year ended June 30, 2003. Significant recurring sources of the University's revenues are considered non-operating, as defined by GASB, such as state appropriations. The table contains a comparison of revenues for years ended 2003 and 2002.

FY 2003 Revenues by Source



Revenues by Source	2003	2002
(in thousands)		
Student tuition & fees	\$ 37,730	\$ 32,403
Grants & contracts	31,796	27,867
Auxiliary services	16,830	15,516
State operating appropriation	43,906	45,592
State capital appropriation	16,271	5,600
Investment income	4,110	4,249
Other revenue & gifts	885	<u>1,411</u>
Total	<u>\$ 151,528</u>	<u>\$ 132,638</u>

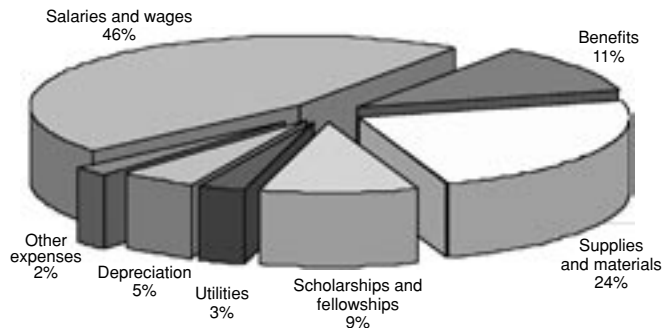
Tuition and fees and state appropriation are the primary sources of funding for the University's academic programs. Tuition and fees increased 16 percent or \$5.3 million, to \$37.7 million in 2003. This increase resulted primarily from tuition rate increase of 14 percent, as well as a growth in number of students to 8,857 annualized headcount for academic year 2002-2003. Annualized headcount in 2001-2002 was 8,636. State legislative appropriation for operations has decreased \$1.7 million, to \$43.9 million in 2003. This decrease continues the decline in legislative appropriation for operations the University has experienced in recent years. While this creates a considerable challenge, the University continues to maintain its commitment to fulfilling the mission of educational excellence and service to the community.

State legislative appropriations for capital improvements increased \$10.7 million, to \$16.3 million in 2003. The University receives a biennial appropriation for capital improvements and this increase is the culmination of projects which began in the first year of the biennium and were completed in 2003.

Another element essential to the University programming support consists of revenues received from governmental and private sources in the form of grants and contracts, which normally provide for the recovery of direct and indirect costs. Revenues from financial aid, grants and contracts increased 14 percent, or \$3.9 million, to \$31.8 million in 2003, primarily related to increases in financial aid and the University's enrollment growth. Sales and services of auxiliary enterprises increased by \$1.3 million, to a total of \$16.8 million, primarily due to the increase in university enrollments.

The following is a graphic illustration of operating expenses by object for the year ended June 30, 2003. The table contains a comparison of expenses for years ended June 30, 2003 and 2002.

FY 2003 Operating Expenses by Object



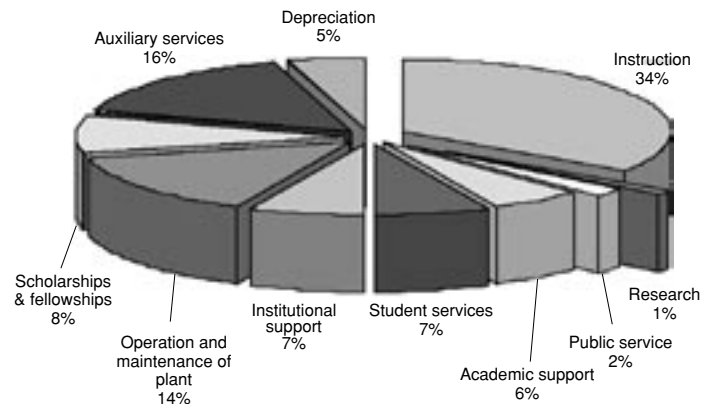
Operating Expenses by Object	2003	2002
(in thousands)		
Salaries and wages	\$ 62,097	\$ 60,285
Benefits	15,371	14,609
Supplies & materials	32,028	23,279
Scholarships & fellowships	12,859	11,197
Utilities	3,469	3,159
Depreciation	6,446	5,827
Other expenses	3,089	2,630
Total	\$ 135,359	\$ 120,986

Salaries, wages and benefits are the major support cost for University programs. Expenses from salaries and wages increased 3 percent, or \$1.8 million, to \$62.1 million in 2003 while benefits increased 5 percent, or \$762 thousand, to \$15.4 million in 2003.

Supplies and materials expenses increased 10 percent, or \$2.2 million, to \$25.1 million in 2003. More significant was the increase in building and infrastructure improvements of \$6.5 million in 2003, reflecting the University's commitment to preservation of its capital assets.

In addition to their natural (object) classification, it is also informative to review operating expenses by function. The following is a graphic illustration of operating expenses by function for the year ended June 30, 2003. The table contains a comparison of the University's expenses by function for the years ended June 30, 2003 and 2002.

FY 2003 Operating Expense by Function



Operating Expenses by Function	2003	2002
(in thousands)		
Instruction	\$ 46,634	\$ 44,702
Research	1,643	1,616
Public service	2,361	1,908
Academic support	7,661	7,574
Student services	9,405	9,096
Institutional support	9,395	9,403
Operation and maintenance of plant	19,338	11,403
Scholarships & fellowships	11,467	10,447
Auxiliary services	21,009	19,010
Depreciation	6,446	5,827
Total	\$ 135,359	\$ 120,986

Instruction, research and public service expenses increased 5 percent to \$50.6 million in 2003. Operation and maintenance of plant increased 70 percent to \$19.3 million in 2003.

Capital Asset and Debt Activities

The University continues to build on its academic and residential life programs through the development and renewal of its capital assets.

Capital additions totaled \$11.5 million and \$3.6 million respectively in 2003 and 2002. Capital additions focused on preservation, energy savings and infrastructure improvements as funded by the state biennial appropriations. In addition, the University increased its capital assets through new capital leases, due primarily to an increase of \$5.5 million in residential buildings and furnishings at June 30, 2003.

Construction in progress at June 30, 2003 totaled \$5.4 million and includes major renovation to Tawanka Commons which will be placed in service during the fall of 2003.

In August 2002, the Moody's Investors Services assigned the rating of Aaa, based upon an insurance policy provided by MBIA Insurance Corporation, to the University's \$4,515,000 Housing and Dining System Refunding Revenue Bonds, Series 2002. This resulted in an effective interest rate of 3.393 percent for the 10-year bonds. Proceeds of the Series 2002 Bonds were used for the purpose of providing funds necessary to pay the costs of refunding the System's outstanding Housing and Dining System Revenue and Refunding Bonds, 1992 and pay the costs related to issuance of the Series 2002.

Additional information related to capital assets and long-term debt is disclosed in the Notes to the Financial Statements, note 7 and note 8.

Economic Factors That Will Affect the Future

The University's funding comes primarily from state appropriations, tuition and fees, grants and contracts, and auxiliary enterprises. The University's core funding base is closely tied to the economy of the state of Washington both in the level of state appropriations as well as the ability to adjust tuition rates. Due to the state's slow economic outlook, the state is looking to the University to fund a larger portion of the operating budget from tuition and fees. This ongoing shift in the funding model is expected to continue at least through the next biennium.



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Eastern Washington University
Cheney, Washington

We have audited the accompanying basic financial statements of the Eastern Washington University, Spokane County, Washington, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial audit in accordance with governmental 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Eastern Washington University, as of June 30, 2003 and 2002, and the changes in financial position and cash flows, where applicable, thereof, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages 10 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag".

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 30, 2004

Eastern Washington University
Statement of Net Assets
June 30, 2003 and 2002

ASSETS	June 30, 2003	June 30, 2002
Current assets:		
Cash and cash equivalents	\$12,118,355	\$8,374,260
Short-term investments	10,673,468	7,015,314
Deposit with State of Washington	4,607,886	4,393,275
Accounts receivable (net of allowances of \$148,942 and \$121,856, respectively)	11,054,403	7,152,731
Student loans receivable (net of allowances of \$15,087 and \$35,842, respectively)	286,659	817,470
Inventories	1,199,243	1,107,030
Other assets	385,802	432,168
Total current assets	<u>40,325,816</u>	<u>29,292,248</u>
Noncurrent assets:		
Endowment investments	4,483,924	4,312,586
Other long-term investments	16,221,640	13,840,423
Student loans receivable (less allowances of \$173,752 and \$161,194, respectively)	5,617,993	5,211,928
Other noncurrent assets	428,355	333,767
Capital assets, net of accumulated depreciation	166,485,959	154,929,616
Total noncurrent assets	<u>193,237,871</u>	<u>178,628,320</u>
Total assets	<u>\$233,563,687</u>	<u>\$207,920,568</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$9,647,340	\$4,178,637
Accrued liabilities	3,408,536	3,247,774
Compensated absences	2,499,104	2,495,000
Deposits or funds held for others	1,591,125	1,685,446
Deferred revenue	2,937,590	2,970,901
Long-term liabilities, current portion	1,551,280	1,112,917
Total current liabilities	<u>21,634,975</u>	<u>15,690,675</u>
Noncurrent liabilities:		
Compensated absences	1,033,942	970,014
Long-term liabilities	17,970,300	13,561,797
Total noncurrent liabilities	<u>19,004,242</u>	<u>14,531,811</u>
Total liabilities	<u>\$40,639,217</u>	<u>\$30,222,486</u>
NET ASSETS		
Invested in capital assets, net of related debt	147,273,659	140,429,152
Restricted for:		
Nonexpendable:		
Endowments	4,483,924	4,312,586
Other	250,000	250,000
Expendable:		
Loans	6,698,038	6,599,068
Capital projects	4,607,886	4,393,275
Other	265,077	55,833
Unrestricted	29,345,886	21,658,168
Total net assets	<u>\$192,924,470</u>	<u>\$177,698,082</u>

The footnote disclosures are an integral part of the financial statements.

Eastern Washington University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2003 and 2002

REVENUES	FY 2003	FY 2002
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$9,791,846 and \$8,593,323, respectively)	\$37,729,692	\$32,403,404
Federal grants and contracts	15,638,822	13,754,741
State and local grants and contracts	11,534,149	10,351,683
Nongovernmental grants and contracts	4,622,856	3,760,294
Sales and services of auxiliary enterprises:		
Housing and Dining Services (net of scholarship allowances of \$2,761,803 and \$2,423,758, respectively)	8,021,669	7,679,978
Other auxiliary enterprises (net of scholarship allowances of \$532,775 and \$461,233, respectively)	8,807,903	7,836,609
Other operating revenue	784,488	861,275
Total operating revenue	<u>87,139,579</u>	<u>76,647,984</u>
 EXPENSES		
Operating expenses:		
Salaries and wages	62,096,952	60,285,370
Benefits	15,370,450	14,608,749
Scholarships and fellowships	12,858,787	11,197,251
Utilities	3,469,141	3,158,635
Supplies and materials	25,151,282	22,926,431
Non-capitalized facility improvements	6,877,036	352,435
Other	3,089,309	2,630,238
Depreciation	6,445,746	5,827,272
Total operating expenses	<u>135,358,703</u>	<u>120,986,381</u>
Operating loss	(48,219,124)	(44,338,397)
 NON-OPERATING REVENUES (EXPENSES)		
State Appropriation	43,906,379	45,591,632
Investment income, gains and losses	4,109,736	4,249,129
Interest on capital asset-related debt	(942,945)	(824,560)
Net non-operating revenues	<u>47,073,170</u>	<u>49,016,201</u>
Gain (loss) before other revenues, expenses, gains or losses	(1,145,954)	4,677,804
Capital appropriations	16,271,041	5,599,734
Gifts to permanent endowments	101,300	550,000
Total other revenue	<u>16,372,341</u>	<u>6,149,734</u>
Increase in net assets	15,226,387	10,827,538
 NET ASSETS		
Net assets-beginning of year	177,698,082	166,870,544
Net assets-end of year	<u>\$192,924,469</u>	<u>\$177,698,082</u>

The footnote disclosures are an integral part of the financial statements.

Eastern Washington University
Statement of Cash Flows
For the Years Ended June 30, 2003 and 2002

	FY 2003	FY 2002
CASH FLOW FROM OPERATING ACTIVITIES:		
Tuition & Fees	\$37,633,913	\$32,234,910
Grants and contracts	30,103,816	28,273,939
Payments to vendors	(32,923,799)	(31,439,156)
Payments to employees	(77,238,609)	(74,235,824)
Payments for scholarships and fellowships	(12,858,787)	(11,197,251)
Loans issued to students	(2,166,428)	(1,914,587)
Collection of student loans	2,226,883	1,959,120
Auxiliary enterprise receipts	17,166,950	15,372,532
Other receipts	638,695	587,018
Net cash used by operating activities	<u>(37,417,366)</u>	<u>(40,359,299)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	45,920,411	47,724,171
Endowment gifts	101,300	550,000
Stafford/Plus loans receipts	40,667,810	37,034,565
Stafford/Plus loans disbursements	(40,874,351)	(36,943,295)
Agency fund receipts	36,852,666	31,571,185
Agency fund disbursements	<u>(36,807,866)</u>	<u>(31,432,360)</u>
Net cash provided by noncapital financing activities	<u>45,859,970</u>	<u>48,504,266</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bond issuance	4,515,000	
Capital appropriations	11,850,270	8,431,370
Purchases of capital assets	(12,195,577)	(9,088,449)
Principal paid on capital debt and leases	(5,689,257)	(1,510,593)
Interest paid on capital debt and leases	<u>(1,077,975)</u>	<u>(804,904)</u>
Net cash used by capital financing activities	<u>(2,597,539)</u>	<u>(2,972,576)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	11,308,774	8,732,032
Interest on investments	3,980,239	4,451,983
Purchase of investments	<u>(17,389,985)</u>	<u>(19,365,357)</u>
Net cash used by investing activities	<u>(2,100,972)</u>	<u>(6,181,342)</u>
Net increase (decrease) in cash	3,744,093	(1,008,951)
Cash - beginning of year	<u>8,374,260</u>	<u>9,383,211</u>
Cash - end of year	<u><u>\$12,118,353</u></u>	<u><u>\$8,374,260</u></u>

The footnote disclosures are an integral part of the financial statements.

Eastern Washington University
Statement of Cash Flows (continued)
For the Years Ended June 30, 2003 and 2002

RECONCILIATION OF NET OPERATING REVENUE (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$(48,219,125)	\$(44,338,397)
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ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Depreciation expense	6,445,746	5,827,272
Changes in assets and liabilities:		
Receivables, net	(1,494,933)	315,724
Inventories	(92,213)	(28,506)
Other assets	46,366	(119,418)
Accounts payable	5,669,907	(2,215,908)
Deferred revenue	(33,311)	(217,335)
Deposits held for others	67,419	14,532
Compensated absences	68,031	210,705
Loans to students	124,746	192,032
Net cash used by operating activities	<u>\$(37,417,367)</u>	<u>\$(40,359,299)</u>

NONCASH TRANSACTIONS

Buildings and equipment	6,021,122
Capital leases	(6,021,122)

The footnote disclosures are an integral part of the financial statements.

Note 1: Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

Eastern Washington University, an agency of the State of Washington, is governed by an eight-member Board of Trustees that are appointed by the Governor and confirmed by the state senate.

BASIS OF ACCOUNTING

The financial statements of the University are presented in accordance with generally accepted accounting principles. The University reports as a business-type activity as defined by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASBS No. 37 and No. 38. Accordingly, the University's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The flow of economic resources focus considers all of the assets available to the University for the purpose of providing goods and services. Under this focus, all assets and liabilities, both current and long-term, are recorded and depreciation is recorded as a charge to operations. The accrual basis of accounting recognizes revenues in the period in which they are earned and become measurable; expenses are recorded in the period incurred, if measurable. All significant intra-agency transactions have been eliminated, which includes intra-agency payables and receivables as well as interdepartmental receipts and expenses.

The University follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB.

OPERATING ACTIVITIES

The University's policy for defining operating activities as reported in the Statement of Revenues, Expenses, and Changes in Net Assets is to include those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Primarily, operating activities involve delivery of higher education courses and supporting services such as residential housing and dining which incur expenses for salaries, benefits, supplies and materials, and scholarships. Payments for these services include tuition and related fees, plus sales from supporting services. Other revenue sources include federal, state and local grants and contracts. As prescribed by GASBS No. 35, certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, gifts and investment income. Therefore, it is expected that operating expenses will generally exceed operating revenues resulting in a net operating loss.

INVENTORIES

Inventories are carried at cost (generally determined on the first-in, first-out method) which is not in excess of market.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank demand deposits, an overnight sweep account, petty cash held at the University, and unit shares in the Local Government Investment Pool

operated by the Washington State Treasurer. Cash and cash equivalents are stated at cost or amortized cost. Except for petty cash held at the University, all others are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

TAX EXEMPTION

The University is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

STATE APPROPRIATIONS

The State of Washington appropriates funds to the University on both an annual and biennial basis. Appropriations are recognized as revenue when the related expenses are made.

DEFERRED REVENUES

Deferred revenues occur when amounts will be due or have been collected in advance of the event that results in revenue recognition. Summer quarter tuition is shown as deferred revenue which represents the majority of the balance shown on the Statement of Net Assets.

CAPITAL ASSETS

Capital assets are stated at cost, or if acquired by gift, at estimated fair value at the date of the gift, less depreciation. The capitalization threshold is \$100,000 or greater for buildings and infrastructure, and \$5,000 or greater for equipment. All purchased land is capitalized regardless of cost. Generally, the useful life of capital assets is 50 years for buildings, five to 50 years for infrastructure and land improvements, 20 years for library books, and four to seven years for equipment. Depreciation of capitalized assets, excluding inexhaustible assets such as land, is provided on a straight-line basis over the estimated useful lives of the respective assets.

NET ASSETS

The University's net assets are classified as follows:
Invested in capital assets, net of related debt:

The University's investments in capital assets, less accumulated depreciation, net of outstanding debt obligations related to capital assets.

Restricted net assets:

Non-expendable: Net assets subject to externally-imposed requirements that they be maintained permanently by the University, including permanent endowment funds.

Expendable: Net assets which the University is obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net assets:

Net assets not subject to externally imposed restrictions, but which may be designated for specific purposes by management, or the Board of Trustees.

RECLASSIFICATIONS

Certain reclassifications not affecting net assets have been made to 2002 amounts in order to conform to 2003 presentation.

Note 2: Investments

Investments are categorized to indicate the level of risk assumed by the University. Category 1 consists of investments that are insured or registered or are held by the University or its agents in the University's name. Category 2 consists of uninsured and unregistered investments held by the broker's or dealer's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments held by the broker or dealer or by its trust department or agent but not in the University's name. Invested assets of donor-restricted endowments are represented by shares in investment units trusts (pools) rather than specific, identifiable securities and, as such, cannot be categorized into one of the three categories of custodial credit risk.

At June 30, 2003, the net appreciation on investments of donor-restricted endowments that is available for authorization for expenditure is \$1,483,446 which is included in the amount reported as nonexpendable endowments on the Statement of Net Assets. RCW 24.44.050 of the Washington State Code allows for the spending of net appreciation on investments of donor-restricted endowments. Accordingly, the income distribution policy is five percent of the three-year moving average of the fair value of net assets.

Fair value of the investment unit trust was determined using the fund's current share price. Fair values of all other investments were provided by major investment brokers or banks. Investments at June 30, 2003, consist of the following:

	Carrying Amount	Category
U.S. Government agency bonds	\$10,137,572	1
Certificates of Deposit	16,673,956	1
Other deposits	83,580	1
Investment Unit Trust		
Equity Fund	2,624,662	
Bond Fund	1,859,262	
Total investments	<u>\$31,379,032</u>	

Note 3: Accounts and Student Loans Receivable

Accounts and student loans receivable at June 30, 2003 and 2002 consist of the following:

	June 30, 2003	June 30, 2002
Accounts receivable		
Student tuition and fees	\$2,137,307	\$1,735,895
Auxiliary enterprises (less allowances of \$133,247 and \$111,569, respectively)	775,889	990,993
Contracts and grants	3,102,944	1,794,524
State reimbursement	4,925,507	2,518,768
Other (less allowances of \$15,695 and \$10,287, respectively)	112,756	112,551
Total accounts receivable	<u>\$11,054,403</u>	<u>\$7,152,731</u>
Student loans receivable		
Federal programs (less allowances of \$173,752 and \$179,104, respectively)	\$5,617,993	\$5,791,031
Institutional loans (less allowances of \$15,087 and \$17,932, respectively)	286,659	238,367
Total student loans receivable	<u>\$5,904,652</u>	<u>\$6,029,398</u>

Note 4: Funds with State Treasurer

The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund that derives its corpus from the sale of state lands/timber. The investing activities are handled by the Washington State Treasurer's Office, while the sale of land/timber is handled by the State Department of Natural Resources. Interest earned from the investments are either reinvested or used exclusively for the benefit of Eastern Washington University, Central Washington University, Western Washington University and The Evergreen State College. The balance of the fund represents the University's share of the net earnings and tuition distributions, reduced by expenses for capital projects and debt service incurred over the years.

Note 5: Compensated Absences

Accrued vacation leave and compensatory time at June 30, 2003, totals \$2,717,231 and \$5,956, respectively. These amounts represent a liability to the University and are recorded and reported accordingly.

Accumulated sick leave earned and unused at June 30, 2003, calculated at 25 percent of unused balance, totals \$809,859. This amount represents a probable liability to the University and is recorded and reported accordingly. The employee is entitled to either the present value of 25 percent of his/her unused sick leave balance upon retirement or 25 percent of his/her accumulation for the year in which it exceeds 480 hours.

Note 6: Risk Management

The University participates in a State of Washington risk management self-insurance program. Premiums are based on actuarially-determined projections and include allowances for payments of both outstanding and current liabilities. The University assumes its potential liability and property losses for all properties except for auxiliary enterprise buildings and contents. The auxiliary enterprise buildings were acquired with the proceeds of bond issues where the bond agreement requires the University to carry insurance on property.

The University has elected to become a self-insurer of unemployment compensation. Cash reserves at June 30, 2003, total \$1,394,856.

Note 7: Capital Assets

Capital asset activity for the year ended June 30, 2003 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$2,059,954	\$31,000	-	\$2,090,954
Land improvements	7,066,034	319,374	-	7,385,408
Infrastructure	22,664,410	1,274,345	-	23,938,755
Buildings	166,763,342	17,103,322	\$314,400	183,552,264
Construction in progress	9,473,051	5,999,945	10,034,651	5,438,345
Furniture, fixtures and equipment	13,526,526	2,577,545	332,901	15,771,170
Library materials	20,543,596	1,054,768	-	21,598,364
Total	<u>242,096,913</u>	<u>28,360,299</u>	<u>10,681,952</u>	<u>259,775,260</u>
Less accumulated depreciation:				
Land improvements	2,358,002	215,928	-	2,573,930
Infrastructure	9,609,547	680,969	-	10,290,516
Buildings	53,034,585	3,699,287	10,454	56,723,418
Furniture, fixtures and equipment	10,200,394	1,138,113	313,287	11,025,220
Library materials	11,964,768	711,449	-	12,676,217
Total accumulated depreciation	<u>87,167,296</u>	<u>6,445,746</u>	<u>323,741</u>	<u>93,289,301</u>
Capital assets, net	<u>\$154,929,617</u>	<u>\$21,914,553</u>	<u>\$10,358,211</u>	<u>\$166,485,959</u>

Note 8: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2003 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Leases and bonds payable:					
Lease obligations (Note 9)	\$601,234	\$6,021,122	\$460,277	\$6,162,079	\$583,526
General obligation bonds	2,293,481	-	293,980	1,999,501	312,754
Revenue bonds payable (Note 10)	11,780,000	4,515,000	4,935,000	11,360,000	655,000
Total leases and bonds payable	<u>14,674,715</u>	<u>10,536,122</u>	<u>5,689,257</u>	<u>19,521,580</u>	<u>1,551,280</u>
Other liabilities:					
Compensated absences (Note 5)	3,465,014	2,599,599	2,531,567	3,533,046	2,499,104
Total long-term liabilities	<u>\$18,139,729</u>	<u>\$13,135,721</u>	<u>\$8,220,824</u>	<u>\$23,054,626</u>	<u>\$4,050,384</u>

Note 9: Leases

The University leases facilities and furnishings for student dormitory residences, office and computer equipment, and other assets under a variety of agreements. The University's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2004 through 2008. Total operating lease expenses in fiscal year 2003 were \$183,046. The University also entered into certain agreements that are classified as capital leases; the related assets and liabilities are recorded in the financial records at the inception of the lease. Minimum lease payments under leases together with the present value of the net minimum capital lease payments as of June 30, 2003, are as follows:

Fiscal Year Annual Payment	Operating	Capital
2004	\$171,690	\$929,813
2005	125,024	771,599
2006	75,880	641,908
2007	49,465	535,037
2008	6,142	517,677
2009-13	-	2,483,708
2014-18	-	1,925,000
2019-23	-	1,587,627
Obligation under leases	<u>\$428,201</u>	9,392,369
Less: Amount representing interest costs		(3,230,290)
Present value of minimum obligation under capital leases		<u>\$6,162,079</u>

Note 10: Bonds Payable

Bonds payable consist of revenue bonds for auxiliary enterprises issued by the University, and the University's portion of the State of Washington General Obligation bonds issued for capital projects construction as shown below.

On August 6, 2002, the University issued \$4,515,000 in Housing and Dining System Refunding Revenue Bonds dated October 1, 2002, with interest rates ranging from 2.5% to 3.8%. Proceeds of the bond issuance were used to refund the outstanding Housing and Dining System Revenue and Refunding Bonds, Series 1992. The purpose of the refunding was to accomplish an interest savings to the University of \$604,048 with a net present value of \$515,098 as represented by the difference between debt service on the Series 2002

bonds and debt service on the prior issue discounted to the issue date using the yield on the Series 2002 bonds as the discount rate. The 1992 Series bonds were due serially November 1 in amounts from \$310,000 to \$565,000 plus interest. The 2002 Series bonds are due serially October 1, 2003 to 2012 in amounts from \$370,000 to \$535,000. Interest is payable semiannually on April 1 and October 1.

The Housing and Dining System net revenues and student and activities fees paid by each student enrolled are pledged for debt service on the bonds of Eastern Washington University. State law requires that the University reimburse the State for debt service payments relating to the State of Washington General Obligation and Refunding Bonds from tuition revenue and earnings on investments held by the state treasurer.

	Interest Rate	Maturity Date	Balance Outstanding
Eastern Washington University:			
Service & Activities Fee Revenue Bond, Series 1993	4.80% - 5.00%	2003-2019	\$6,845,000
Housing and Dining System Revenue/Refunding Bonds, Series 2002	2.50% - 3.80%	2003-2013	4,515,000
Total Revenue Bonds			<u>11,360,000</u>
State of Washington General Obligation Bonds:			
Refunding Bonds, Series R-93A	3.90% - 5.75%	2003-2011	495,091
Refunding Bonds, Series R-93B	3.35% - 5.13%	2003-2005	144,255
Refunding Bonds, Series R-01A	4.50% - 9.00%	2003-2010	1,360,155
Total General Obligation Bonds			<u>1,999,501</u>
Total bonds payable			<u>\$13,359,501</u>

The Eastern Washington University debt service requirements and the University's debt service requirements for the general obligation bonds of the State of Washington for the next five years and thereafter are as follows:

Fiscal Year	Eastern Washington University		State General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$655,000	\$464,836	\$312,754	\$103,634	\$967,754	\$568,470
2005	695,000	441,291	329,895	83,159	1,024,895	524,450
2006	725,000	416,584	267,865	67,315	992,865	483,899
2007	755,000	390,600	280,947	52,654	1,035,947	443,254
2008	785,000	362,674	352,121	36,928	1,137,121	399,602
2009-2013	4,480,000	1,302,145	455,919	30,185	4,935,919	1,332,330
2014-2018	2,645,000	498,888	-	-	2,645,000	498,888
2019	620,000	15,500	-	-	620,000	15,500
Totals	<u>\$11,360,000</u>	<u>\$3,892,518</u>	<u>\$1,999,501</u>	<u>\$373,875</u>	<u>\$13,359,501</u>	<u>\$4,266,393</u>

Note 11: Pension Plans

The University offers four contributory plans. The Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) are cost-sharing, multi-employer defined benefit plans; PERS and TRS also have a defined contribution component. The Eastern Washington University Retirement Plan is a defined contribution plan with supplemental payment, when required. The University's total payroll for the year ended June 30, 2003, was \$62,096,952. The payroll for employees covered by PERS was \$17,897,571;

payroll for employees covered by TRS was \$420,939; payroll for employees covered by LEOFF was \$303,074; and payroll for employees covered by the Eastern Washington University Retirement Plan was \$34,492,634.

PERS, TRS, AND LEOFF

Plan Descriptions. The Washington State Department of Retirement Systems administers the PERS, TRS and LEOFF plans. The Washington State Legislature establishes or amends benefit provisions. Retirement benefits vary by plan according to years of service credit, participation dates, age upon

retirement, and average compensation periods as prescribed by state statute. Certain plans also contain disability provisions. The PERS and TRS defined contribution portion can be distributed according to various member-selected options, either as a lump sum or through installments. Vesting periods vary by plan and employee service date. 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 Systems, P.O. Box 48380, Olympia, WA 98504.

Funding Policies. Each biennium, the State Pension Funding Council adopts employee and/or employer

contribution rates for PERS and TRS plans, except where employee contribution rates are set by statute. Under LEOFF, employer and employee contribution rates for Plan II are developed by the Office of the State Actuary to fully fund the plan. 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, 2003 are shown below. The University and the employees made the required contributions. The University's required contributions for the years ending June 30 are as follows:

	Contribution Rates at June 30, 2003		Required Contributions		
	Employee	University	FY 2001	FY 2002	FY 2003
PERS					
Plan I	6.00%	1.32%	\$168,279	\$62,972	\$46,622
Plan II	0.65%	1.32%	570,917	231,852	178,848
Plan III	Varies	1.32% *	-	465	14,266
TRS					
Plan I	6.00%	1.27%	\$26,789	\$11,620	\$5,263
Plan II	0.15%	1.27%	-	-	-
Plan III	Varies	1.27% *	-	1,712	113
LOEFF					
Plan II	4.39%	4.61%	\$13,722	\$9,881	\$13,972

* Defined benefit portion only.

EASTERN WASHINGTON UNIVERSITY RETIREMENT SYSTEM

Plan Description. Faculty and certain other employees are eligible to participate in the Eastern Washington University Retirement System, a multi-employer, defined contribution plan with certain provisions for supplemental payments. RCW 28.B.10.400 authorizes the University's Board of Trustees to establish and amend benefit provisions.

The Teachers' Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased that have immediate vesting by the employee. TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution that participates in TIAA-CREF. Benefits are determined as follows: TIAA-fixed guaranteed annuities payable for life with an additional dividend payment each year depending on investment performance; CREF-variable annuities which are not guaranteed but rise and fall with the value of equity investments.

The supplemental payment plan determines a minimum retirement benefit goal based upon a onetime calculation at each employee's retirement date. The University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with 10 years of full-time service. The benefit goal is 2 percent of the average annual salary for

each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10 percent TIAA-CREF contribution after age 50, the benefit goal is 1.5 percent for each year of full-time service for the years in which the lower contribution rate was selected. No significant changes were made in the faculty benefit provision for the year ended June 30, 2003.

Contribution. Employee contribution rates, which are based on age, are 5 percent, 7.5 percent and 10 percent. The University matches the employee contributions. The University contributions during the year ended June 30, 2003, total \$2,945,084.

The University supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. For the year ended June 30, 2003, these benefits amounted to \$179,569.

Note 12: Segment Information

The following financial information represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding, and where expenses, gains and losses, assets, and liabilities are identifiable. These bonds provide funding for residential housing and student activity facilities. For more information, separately issued financial statements are available from the Office of Controller, Eastern Washington University, 319 Showalter Hall, Cheney, WA 99004.

CONDENSED STATEMENT OF NET ASSETS	Housing and Dining System Revenue Bonds Series 2002	Pence Union Building Revenue Bonds Series 1993
Assets:		
Current assets	\$2,263,307	\$1,072,927
Non-current assets	23,272,717	11,103,044
Total assets	25,536,024	12,175,971
Liabilities:		
Current liabilities	1,979,844	454,246
Non-current liabilities	9,782,111	6,560,000
Total liabilities	11,761,955	7,014,246
Net assets:		
Invested in capital assets, net of related debt	11,327,833	3,386,885
Restricted	250,000	-
Unrestricted	2,196,236	1,774,840
Total net assets	\$13,774,069	\$5,161,725

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating revenues	\$11,335,819	\$1,952,917
Operating expenses	10,510,664	1,686,593
Net operating income (loss)	825,155	266,324
Non-operating revenues (expenses)	(421,516)	(319,473)
Transfers	3,218,949	146,400
Change in net assets	3,622,588	93,251
Net assets-beginning of year	10,151,481	5,068,474
Net assets-end of year	\$13,774,069	\$5,161,725

CONDENSED STATEMENT CASH FLOWS

Net cash flows provided by operating activities	\$2,052,342	\$559,454
Net cash flows provided by non-capital and related financing activities	-	90,000
Net cash flows provided by capital and related financing activities	(1,033,072)	(565,573)
Net cash flows used by investing activities	(592,331)	(14,361)
Net increase (decrease) in cash	426,939	69,520
Cash-beginning of year	426,181	279,176
Cash-end of year	\$853,120	\$348,696

Note 13: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2003 and 2002 are summarized as follows:

Operating Expenses:	FY 2003	FY 2002
Educational and General		
Instruction	\$46,633,833	\$44,701,558
Research	1,642,619	1,615,903
Public Service	2,360,809	1,907,965
Academic Support	7,661,165	7,573,983
Student Services	9,405,106	9,095,900
Institutional Support	9,394,906	9,403,482
Operation and Maintenance of Plant	19,338,251	11,403,279
Scholarships and Fellowships	11,467,229	10,446,744
Auxiliary Enterprises	21,009,039	19,010,295
Depreciation	6,445,746	5,827,272
Total Operating Expenses	\$135,358,703	\$120,986,381

Note 14: Related Parties

Eastern Washington University has an agreement with the Eastern Washington University Foundation (a private nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code) whereby the Foundation will design and implement such programs and procedures to persuade continuous and philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with partial office space, furniture and equipment, supplies and related office expenses, and staff to operate the Foundation.

Note 15: Other Matters

The University is contingently liable in connection with claims arising in the normal course of its activities. University management believes that the outcome of such matters will not have a material effect on the financial statements.

Outstanding purchase orders and other commitments at June 30, 2003 totals \$8,579,344 for various goods and services.



Statistical Section

EWU

Five-Year Historical Review

For the Fiscal Years Ended June 30 (in thousands)

	GASBS 35		Pre-GASBS 35		
	2003	2002	2001	2000	1999
REVENUES					
Tuition and fees (net of allowance)	\$37,730	\$32,403	\$36,729	\$33,403	\$29,156
Gifts, Grants and Contracts	31,796	27,867	23,911	21,732	20,173
Auxiliary Enterprises (net of allowance)	16,830	15,517	17,493	15,937	14,205
Other Sources	784	861	2,041	845	967
Total Operating Revenues	87,140	76,648	80,174	71,917	64,501
EXPENSES					
Instruction	46,634	44,702	42,830	40,595	38,092
Research	1,643	1,616	1,566	1,590	1,484
Public Service	2,361	1,908	1,747	2,031	2,040
Academic Support (including Libraries)	7,661	7,574	8,266	7,601	7,011
Student Services	9,405	9,096	8,734	7,719	6,864
Institutional Support	9,395	9,403	9,020	9,267	7,968
Plant Operation and Maintenance	19,338	11,403	9,494	8,070	7,706
Scholarships and Fellowships	11,467	10,447	18,793	15,738	13,782
Auxiliary Enterprises	21,009	19,010	17,628	16,167	14,434
Depreciation	6,446	5,827			
Total Operating Expenses	135,359	120,986	118,078	108,778	99,381
Operating Loss	(48,219)	(44,338)	(37,904)	(36,861)	(34,880)
NON-OPERATING REVENUES (EXPENSES)					
State Appropriations	43,906	45,592	43,970	41,668	39,454
Investment Income, gains and losses	4,110	4,249			
Interest on capital asset-related debt	(943)	(825)			
Total Non-operating Revenues	47,073	49,016	43,970	41,668	39,454
Income before capital contributions and additions to endowments	(1,146)	4,678			
Capital Appropriations	16,271	5,600			
Additions to Permanent Endowments	101	550			
Total Other	16,372	6,150			
Increase in Net Assets	\$15,226	\$10,828			

Capital Assets

	In Thousands				
	2003	2002	2001	2000	1999
Land	\$2,091	\$2,060	\$1,978	\$1,903	\$1,903
Buildings	183,552	166,763	162,165	148,466	142,606
Land Improvements/Infrastructure	31,324	29,730	29,684	23,357	22,722
Equipment	15,771	13,526	13,223	12,822	12,714
Library Resources	21,598	20,544	19,451	18,439	17,310
Construction in Progress	5,438	9,473	7,422	9,895	6,788
Depreciation	(6,446)	(5,827)			
Total Capital Assets	\$253,328	\$236,269	\$233,923	\$214,882	\$204,043

Enrollments

	Actual				
	2003	2002	2001	2000	1999
Fall Quarter	9,178	8,932	8,597	8,261	7,688
Academic Year Average	8,857	8,636	8,289	7,961	7,429

Tuition and Fees Per Academic Year

	Actual				
	2003	2002	2001	2000	1999
Undergraduate - Resident	\$3,357	\$2,964	\$2,790	\$2,700	\$2,622
Undergraduate - Nonresident	\$11,634	\$10,224	\$9,594	\$9,594	\$9,315
Graduate - Resident	\$5,403	\$4,758	\$4,470	\$4,326	\$4,200
Graduate - Nonresident	\$15,975	\$14,031	\$13,161	\$13,161	\$12,780