

Financial Report 2008

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EASTERN
WASHINGTON UNIVERSITY

start something **big**

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MESSAGE FROM THE PRESIDENT



The past year was a successful one for Eastern Washington University, as the university grew its enrollment, expanded its opportunities to students, refocused its mission in Spokane and enhanced its stature and recognition in the community. We continue on an upward path.

As the university braces for uncertain economic times, I can confidently report that it is in a stable financial position owing to prudent, forward planning over a number of years. The challenges outlined in last year's report were met and solutions were implemented.

After a flattening and then a small one-year downturn in enrollment, Eastern bounced back and experienced a new period of enrollment growth. This year we welcomed our second-largest class of freshmen, ever, to campus and our retention and enrollment rates into winter quarter exceeded our projections.

Hard work across campus, involving faculty, administration and staff brought about this quick turnaround. In addition, the university succeeded in its efforts to reach potential students and raise its profile through the "Start Something Big" marketing campaign. The innovative campaign received several professional awards and was recently recognized by the Council for Advancement and Support of Education as the best higher ed marketing campaign in the Northwest.

Our enrollment growth and gains in retention are especially important as we head into the next budget cycles, which will force the university to be even more efficient and self-reliant, as state funds are reduced.

The budgeting process we have implemented, which aligns the allocation of our budgetary funds with our strategic planning goals, informs our decision making. Over the past year, this process informed our decision to allocate added resources to our student success programs and marketing and recruiting. The results of those decisions, as I pointed out above, were positive.

We will continue to work collaboratively and creatively, and it is my belief that Eastern Washington University will weather the upcoming economic times and emerge as a stronger, more focused institution.

Thank you for your interest in Eastern Washington University's business affairs and we look forward to sharing with you the results of our hard work this year in next year's report.

A handwritten signature in black ink that reads "John Mason". The signature is written in a cursive, flowing style.

John Mason, PhD
Acting President

BOARD OF TRUSTEES (AS OF 6/30/08)

Paul Tanaka, Chair
 Jo Ann Kauffman, Vice Chair
 Gordon Budke
 Isaura Gallegos, Student Trustee
 Neil McReynolds
 Kris Mikkelsen
 Bertha Ortega
 Ines Zozaya-Geist

ADMINISTRATION (AS OF 6/30/08)

President
 Rodolfo Arévalo
 Vice President for Academic Affairs and Provost
 John B. Mason
 Vice President for University Advancement
 Mike Westfall
 Vice President for Business and Finance
 Mary Voves
 Vice President for Student Affairs
 Dorothy Zeisler-Vralsted

UNIVERSITY DEANS (AS OF 6/30/08)

College of Arts and Letters
 Lynn Briggs
 College of Business and Public Administration
 Rex Fuller
 College of Education and Human Development
 Alan J. Coelho
 College of Science, Health and Engineering
 Judd Case
 College of Social and Behavioral Sciences
 Vickie Rutledge Shields
 Libraries
 Patricia M. Kelley
 School of Social Work and Human Services
 S. James Perez (Interim)

MISSION STATEMENT

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.

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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

February 2, 2009

Board of Trustees
Eastern Washington University
Cheney, Washington

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Eastern Washington University as of and for the years ended June 30, 2008 and 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Eastern Washington University Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Eastern Washington University Foundation, is based on the report of the other auditors.

We conducted our audit 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 of material misstatement. 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 and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of Eastern Washington University are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2008 and 2007, 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.

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 Eastern Washington University as of June 30, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows 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 on pages 6 through 11 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.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position and activities of Eastern Washington University ("the University") for the fiscal year ended June 30, 2008, with comparative 2007 and 2006 financial information. This MD&A provides the readers an objective and easily readable analysis of the University's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements.

Reporting Entity

Eastern Washington University, one of six state-assisted public institutions of higher education in the state of Washington, provides baccalaureate and graduate educational programs for about 10,000 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 role as citizens.

The University's main campus is located in Cheney, Washington, a community of approximately 10,000 residents. Eastern also offers a variety of upper division and graduate programs at the Riverpoint Higher Education Park in Spokane, Washington, and at various locations throughout the state of Washington. For example, through a collaborative agreement with Bellevue Community College (BCC), our university center at BCC offers upper division courses for four bachelor degree programs leading to a four-year degree awarded by Eastern Washington University.

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. By statute the Board of Trustees has full control of the University and its property of various kinds, except as otherwise provided by law.

Using the Financial Statements

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. Under this model, the financial report consists of three statements: the Statement of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units requires a university to report an organization that raises and holds economic resources for the direct benefit of a government unit. Under this requirement the EWU Foundation is a component unit of the University and their financial statements are incorporated in this financial report.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the last two fiscal years and reports all assets and liabilities of the University. This statement represents the assets available to continue operations of the institution and also identifies how much the institution owes vendors, investors and lending institutions. A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2008, 2007 and 2006, is shown below.

Current assets consist primarily of cash, short term investments, accounts receivables and inventories. After increasing \$15.8 million in fiscal year 2007 largely from

revenue bond proceeds for construction of the new University Recreation Center (Note 10), current assets decreased \$5.8 million in 2008 as cash was used to complete the University Recreation Center. The decrease was offset by an increased allocation in short-term investments. The increase in current assets during 2007 was expected to be short-lived as bond proceeds were used to complete the new recreational facility in May 2008.

The University continues to increase the investment in capital assets which consist of land, buildings, infrastructure and equipment. The growth in capital assets from \$233.5 million in 2007 to \$246.4 million in 2008, an increase of \$12.9 million, is largely due to completion of the new University Recreation Center. Another notable increase was the addition to construction in progress as major renovations to Hargreaves Hall were well underway during 2008 (Note 7).

Besides capital assets, other non-current assets are comprised mainly of endowments, long-term investments and receivables. Long-term investments accounted for most of the decrease in 2008, down nearly \$6.0 million from 2007, primarily through reallocation to short-term investments (Note 2).

Liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, bond debt, deposits held for others, and deferred revenues. Current liabilities fluctuate between years due mostly to the timing of vendor payables for capital asset improvements. In 2007, current liabilities increased \$3.7 million

STATEMENT OF NET ASSETS			
	As of June 30 (in thousands)		
	2008	2007	2006
ASSETS			
Current assets	\$61,323	\$67,135	\$51,300
Capital assets, net of deprec.	246,405	233,494	207,648
Other non-current assets	33,554	39,424	31,758
Total Assets	341,282	340,053	290,706
LIABILITIES			
Current liabilities	18,289	20,218	16,507
Non-current liabilities	44,093	45,809	17,991
Total Liabilities	62,382	66,027	34,498
NET ASSETS	\$278,900	\$274,026	\$256,208

primarily for accrued expenses associated with major construction projects. In 2008, current liabilities decreased \$1.9 million with completion of the recreational center.

Non-current liabilities increased by \$27.8 million in 2007 as a result of new revenue bond debt issued for construction of the University Recreation Center (Note 8). The balance decreased by \$1.7 million in 2008 through scheduled debt service payments.

Net assets, the difference between assets and liabilities, is one indicator of the financial condition of the University. The change in net assets measures whether the overall financial condition has improved or worsened during the year. The University reports its net assets in four categories:

Invested in Capital Assets, Net of Related Debt - This is the University's investment in property, plant and equipment, net of accumulated depreciation and the amount of outstanding debt related to those capital assets.

Restricted-Nonexpendable - This category consists of funds on which the donor or external party has imposed the restriction that the corpus or principal is not available for expenditures but for investment purposes only. The primary nonexpendable funds for the University are permanent endowments.

Restricted Expendable - This category includes resources which the University is legally or contractually obligated to spend in accordance with the time or purpose restrictions on the use of the asset placed upon

them by donors or other external parties. The primary expendable funds for the University are student loans and capital project funds.

Unrestricted - These are all other funds available to the University for the general and educational obligations to meet current expenses for any purpose. Unrestricted funds are often internally designated for specific purposes.

The University's net assets at June 30, 2008, 2007 and 2006 are summarized as shown below:

The \$11.3 million and \$13.9 million increase in the net invested in capital assets in 2007 and 2006, respectively, reflects the University's continuing commitment to replacement and expansion of its capital assets. While several minor improvement projects took place during this time, three major projects largely contributed to the increase in capital assets. The new Computing and Engineering Building was placed in service during late fall 2005, Senior Hall

underwent major renovations in 2006, and construction was well underway on the new University Recreation Center during 2007. The \$1.8 million increase in 2008 was primarily due to additions to construction in progress for major renovation and addition to Hargreaves Hall.

The restricted net assets mainly include permanent endowments, student loan funds and funds available for capital projects. The increase of \$2.4 million for restricted, expendable net assets from 2006 to 2007 was partly attributable to growth in endowments but more so to funds available for capital projects (Note 4). Balances in these categories held steady from 2007 to 2008.

Unrestricted net assets are not subject to externally imposed stipulations; however, the University has designated the unrestricted net assets for various academic programs and university support functions such as auxiliary enterprises and service funds.

NET ASSETS			
	As of June 30 (in thousands)		
	2008	2007	2006
Invested in capital assets, net of related debt	\$205,722	\$203,949	\$192,672
Restricted:			
Non-expendable	5,234	4,683	4,533
Expendable	17,472	17,734	15,347
Unrestricted	50,472	47,660	43,656
Total net assets	\$278,900	\$274,026	\$256,208

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets provides information about the operating performance of the University. The statement classifies

revenues and expenses as either operating or non-operating. Under GASB reporting principles, state appropriations are classified as non-operating revenues. The University receives state appropriations that offset the

loss generated by operating expenses. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2008, 2007 and 2006, follows:

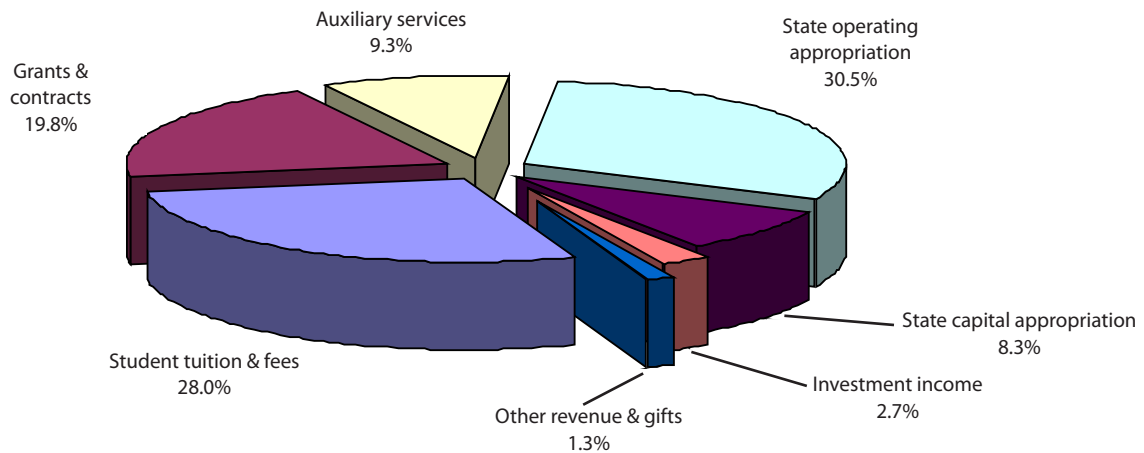
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
	For the year ended June 30 (in thousands)		
	2008	2007	2006
Operating revenue	\$110,367	\$111,017	\$104,102
Operating expenses	183,158	166,478	153,303
Net operating loss	(72,791)	(55,461)	(49,201)
Non-operating revenues	63,032	59,305	53,049
Non-operating expenses	1,902	1,579	796
Income (loss) before other revenues	(11,661)	2,265	3,052
Other revenues and expenses	16,535	15,553	17,210
Increase in net assets	4,874	17,818	20,262
Net assets, beginning of year	274,026	256,208	235,946
Net assets, end of year	\$278,900	\$274,026	\$256,208

Operating and Non-operating Revenues

Operating revenues consists primarily of tuition and fees, sponsored program revenue, and sales and services revenue generated by auxiliary and other enterprises. Non-operating revenues consist of state appropriations and investment income. Other revenues and expenses are derived almost entirely from state capital project appropriations with a small portion coming from gifts to permanent endowments.

The illustration below shows revenues by source (both operating and non-operating), which were used to fund the University's programs for the year ended June 30, 2008. The ensuing table contains a comparison of revenues for years ended 2008, 2007 and 2006.

FY 2008 REVENUES BY SOURCE



REVENUES BY SOURCE

For the year ended June 30 (in thousands)

	2008	2007	2006
Student tuition & fees	\$ 52,716	\$ 52,178	\$ 49,331
Grants & contracts	37,559	38,872	35,653
Auxiliary services	18,182	19,026	18,261
State operating appropriation	57,997	51,547	48,424
State capital appropriation	15,934	15,453	16,600
Investment income	5,035	7,493	4,625
Other revenue & gifts	2,511	1,307	1,468
Total	\$ 189,934	\$ 185,876	\$ 174,362

Tuition and fees and state operating appropriations are the primary sources of funding for the University's academic programs. Increases in revenues from tuition and fees slowed to 1 percent in 2008, down from nearly 5.8 percent in 2007 and 9.1 percent in 2006. Like 2006, the increase for 2007 resulted primarily from a tuition and fee rate increase of 6 percent for resident categories. In 2006, the increase was also fueled by new enrollments. The 2005 legislature authorized a maximum tuition increase of six percent for resident undergraduate students for each year of the 2005-07 biennium. The 2007 legislature authorized a maximum tuition increase of 5 percent for resident undergraduate

students in each year of the 2007-09 biennium. Both legislatures granted full authority to the Board of Trustees to set tuition rates for all other fee paying categories.

State legislative appropriations for operations increased \$6.4 million in 2008, after increasing \$3.1 million in 2007 and \$5.2 million in 2006. The increases reverse a trend where state general fund appropriations had decreased in each of the three years prior to 2005.

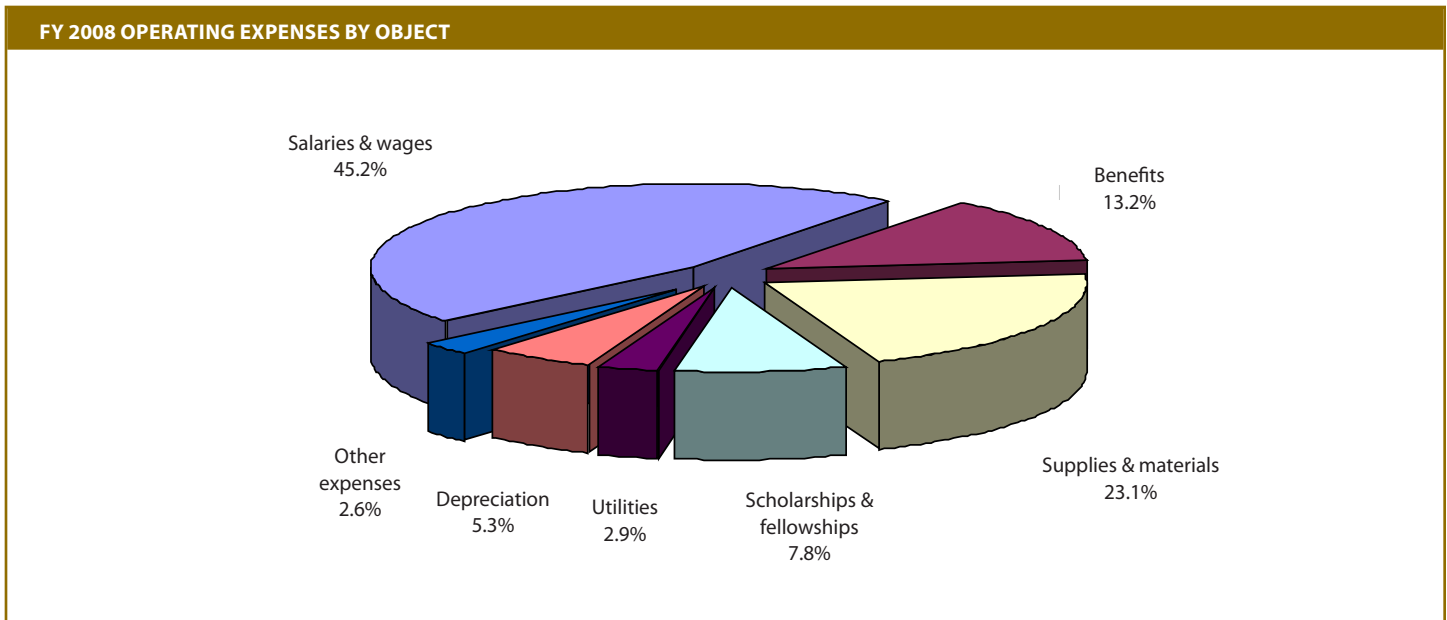
University programming support also consists of revenues received from governmental and private sources in the form of grants and contracts, which normally provide for the recovery of direct and indirect costs. Revenues from financial aid,

grants and contracts increased \$3.2 million in 2007, primarily from state-funded grants, but decreased \$1.3 million in 2008 overall, with decreases in federal and non-governmental funding sources outweighing a slight increase in state funded sponsored programs.

State legislative appropriations for capital improvements increased slightly in 2008 after decreasing \$1.1 million in 2007 and \$4.3 million in 2006. The University receives a biennial appropriation for capital improvements. Fluctuations in annual capital project revenues reflect cycles in construction and major renovation projects that often span more than one fiscal year.

Operating Expenses

Operating expenses consist mainly of salary and benefit costs, supplies and materials costs, and student scholarships and fellowships. Shown below is an illustration of operating expenses by natural classification (object) for the year ended June 30, 2008. The ensuing table contains a comparison of expenses for years ended June 30, 2008, 2007 and 2006.



OPERATING EXPENSES BY OBJECT

For the year ended June 30 (in thousands)

	2008	2007	2006
Salaries & wages	\$ 82,782	\$ 77,073	\$ 71,425
Benefits	24,208	22,106	19,990
Supplies & materials	42,251	34,440	30,374
Scholarships & fellowships	14,345	14,277	14,159
Utilities	5,232	5,161	5,137
Depreciation	9,636	9,274	7,623
Other expenses	4,704	4,147	4,595
Total	\$ 183,158	\$ 166,478	\$ 153,303

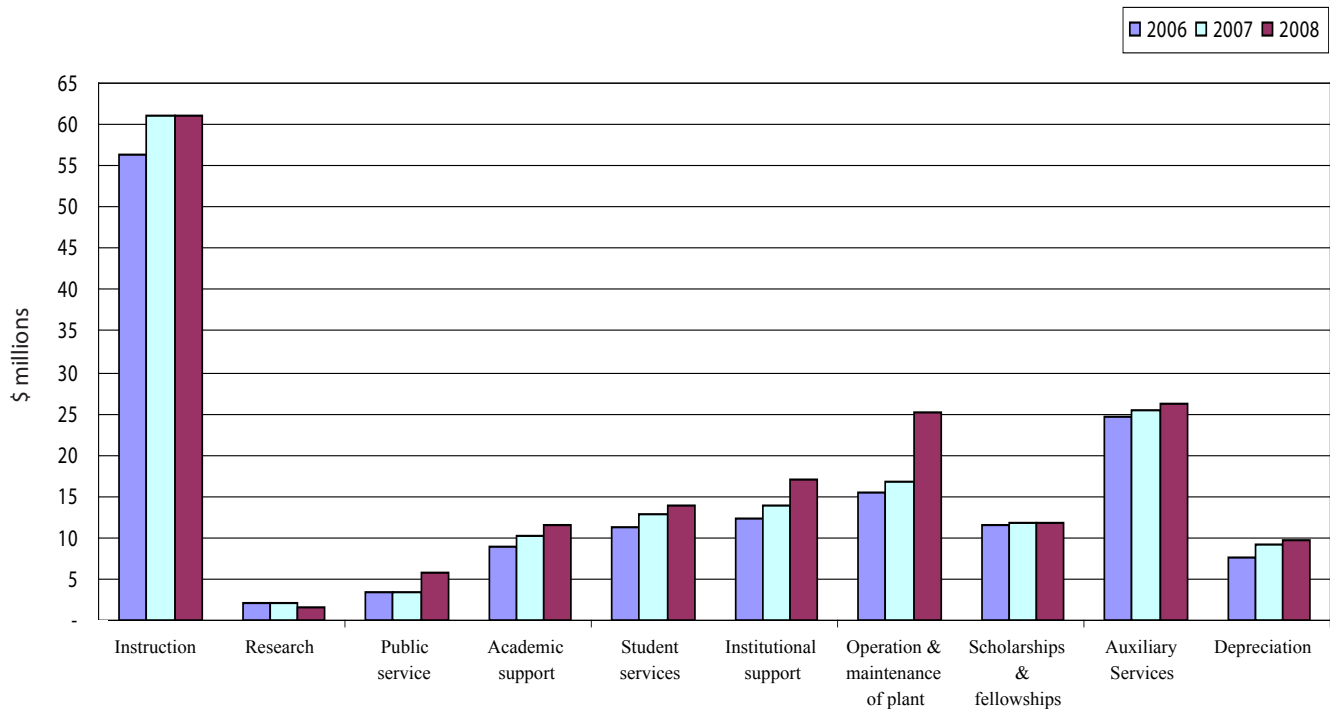
Salaries, wages and benefits are the major support cost for the University's programs. Expenses from salaries and wages increased 7.4 percent in 2008 compared to 7.9 percent in 2007 and 7.3 percent in 2006 while benefits increased 9.5 percent in 2008 compared to 10.6 percent in 2007 and 12.0 percent in 2006. Other than

fluctuations in staffing levels, these increases can be partly attributed to salary increases provided to employees and rising health insurance costs.

Supplies and materials increased \$7.8 million in 2008 compared to \$4.1 million in 2007. The difference is

attributable to fluctuations in non-capitalized facility costs which increased in 2008 over 2007. These costs result from capital project expenses that are not capitalized to an asset. The amount varies by year depending on several factors including the types of projects undertaken in the comprehensive capital facilities improvement plan.

COMPARISON OF OPERATING EXPENSES BY FUNCTION



Depreciation expense increased \$1.6 million or 21.7 percent in 2007, primarily the result of large assets brought into service that are now being depreciated in accordance with the state depreciation policy (Note 1). In particular, the new Computing and Engineering Building was placed in service during late fall 2005 and Senior Hall underwent major renovations in 2006; both were large projects and those assets are now being depreciated over their expected useful life. Depreciation expense increased only 3.9 percent in 2008.

An alternative view of operating expenses by natural (object) classification is to view operating expenses by functional classification. The illustration above is of operating expenses by function for the years ended June 30, 2008, 2007 and 2006. The chart shows that annual expenses increased in

nearly all functional categories from 2006 to 2007 with instructional expenses comprising the majority of operating costs. These increases slowed or declined in 2008 except expenses for operation and maintenance of plant increased by \$8.3 million or 13.7 percent over 2007, partially from non-capitalized facility improvements.

Capital Asset and Debt Activities

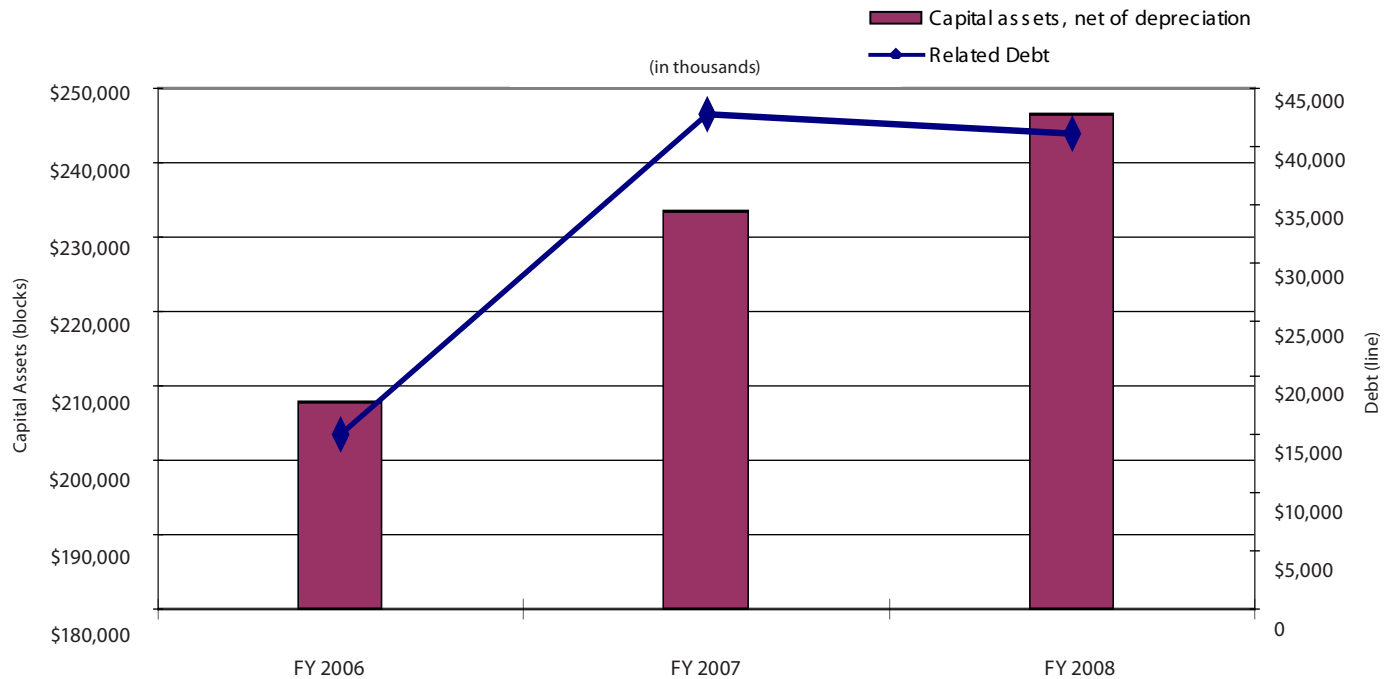
Capital assets are funded mainly by state biennial appropriation. The University's Comprehensive Master Plan is used to guide the long-range physical development of the campus, focusing on critical areas of need, space utilization and preservation of the infrastructure. Additions to capital assets, net of depreciation and retirements, amounted to \$12.9 million in 2008 compared to \$25.8 million in 2007 and

\$12.4 million in 2006.

Construction in progress at June 30, 2008 totaled \$9.9 million compared to \$22.2 million in 2007 and \$3.3 million in 2006. The relatively small balance in 2006 is due mainly to the completed renovation of Senior Hall and finalized construction of the Computing and Engineering Building which were placed in service during 2006. The increase in 2007 was primarily related to construction of the new University Recreation Center, plus smaller portions for the cost of improvements to Cheney Hall and Hargreaves Hall. The balance dropped in 2008 when the \$27.1 million University Recreation Center was placed into service but gained \$5.2 million for renovations in progress on Hargreaves Hall.

Total long-term debt associated with capital assets increased significantly in 2007

FY 2006-08 COMPARISON OF CAPITAL ASSETS AND RELATED DEBT



compared to the prior year as there were no new issuances in 2006. Debt service and lease payments decreased the balance by \$1.6 million to \$41.1 million in 2008 (Note 8). Bonds payable amounted to \$36.3 million in 2008 compared to \$37.4 million in 2007 and \$10.4 million in 2006 (Note 10). Obligations under capital leases amounted to \$4.7 million in 2008 compared to \$5.2 million in 2007 and \$4.8 million in 2006 (Note 9).

The chart above shows the progression of increasing investment in capital assets and the associated debt load used to finance the construction of those assets. In 2006, funding from state capital appropriations significantly contributed to the University's ability to build infrastructure in support of academic programs without adding debt. However, not all capital projects are funded

by state appropriations. In October 2006, the University issued Series 2006 Services and Activities Fee Revenue and Refunding Bonds totaling \$33,715,000 to fund the construction of a new university recreational facility (\$28.1 million) and for current refunding of the outstanding Series 1993 Service & Activities Fee Revenue Bonds (\$5.6 million). These revenue bond issues explain the sharp increase in debt relative to capital assets. The ratio decreased in 2008 as state capital appropriations helped fuel investments in capital assets.

Summary of Financial Health and Economic Factors That Will Affect the Future

During 2008, the University's overall financial position generally improved as a whole. However, funding for higher

education in the state of Washington continues to be under pressure with enrollment demand outpacing state funding. While state appropriations increased in the last three fiscal years through 2008, the costs to educate our students also continue to increase. The 2005 and 2007 legislatures granted greater flexibility in setting certain tuition rates to help universities fund this demand.

The financial pressure is expected to continue as the state of Washington struggles with sustainability of funding in the near future due to the state, national and global financial situation. The University's strategic planning continues to address ongoing funding issues to help ensure sustainability and flexibility in meeting educational opportunities at Eastern Washington University.

STATEMENT OF NET ASSETS

June 30, 2008 and 2007

ASSETS	June 30, 2008	June 30, 2007
Current assets:		
Cash and cash equivalents	\$24,054,161	\$35,553,103
Short-term investments	16,721,101	10,997,000
Deposit with State of Washington	7,503,790	7,873,864
Accounts receivable (net of allowances of \$286,616 and \$137,169, respectively)	11,291,490	10,910,509
Student loans receivable (net of allowances of \$21,989 and \$23,130, respectively)	69,455	78,984
Inventories	1,459,102	1,374,252
Other assets	223,873	347,614
Total current assets	<u>61,322,972</u>	<u>67,135,326</u>
Noncurrent assets:		
Endowment investments	7,314,756	7,135,324
Other long-term investments	19,976,328	25,961,521
Student loans receivable (less allowances of \$601,265 and \$546,877, respectively)	5,781,595	5,797,407
Other noncurrent assets	481,514	529,354
Capital assets, net of accumulated depreciation	246,404,766	233,493,754
Total noncurrent assets	<u>279,958,959</u>	<u>272,917,360</u>
Total assets	<u>\$341,281,931</u>	<u>\$340,052,686</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$7,747,578	\$10,132,159
Accrued liabilities	3,614,354	4,155,918
Compensated absences	3,726	11,956
Deposits or funds held for others	1,758,380	1,437,378
Deferred revenue	3,042,644	2,886,954
Long-term liabilities, current portion	2,122,772	1,593,762
Total current liabilities	<u>18,289,454</u>	<u>20,218,127</u>
Noncurrent liabilities:		
Compensated absences	4,614,334	4,421,017
Long-term liabilities	39,478,383	41,387,382
Total noncurrent liabilities	<u>44,092,717</u>	<u>45,808,399</u>
Total liabilities	<u>\$62,382,171</u>	<u>\$66,026,526</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$205,722,219	\$203,948,863
Restricted for:		
Nonexpendable:		
Endowments	5,046,242	4,446,242
Other	187,250	187,250
Expendable:		
Loans	7,024,534	6,753,220
Capital projects	7,715,019	7,880,009
Endowments	2,658,775	2,739,081
Other	73,664	411,195
Unrestricted	50,472,057	47,660,300
Total net assets	<u>\$278,899,760</u>	<u>\$274,026,160</u>

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

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2008 and 2007

REVENUES	FY 2008	FY 2007
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$12,990,105 and \$12,261,396, respectively)	\$52,715,587	\$52,177,934
Federal grants and contracts	14,483,253	14,777,355
State and local grants and contracts	19,817,896	19,159,382
Nongovernmental grants and contracts	3,257,678	4,935,088
Sales and services of auxiliary enterprises:		
Housing and dining services (net of scholarship allowances of \$3,880,161 and \$4,308,058, respectively)	9,317,195	9,423,845
Other auxiliary enterprises (net of scholarship allowances of \$801,069 and \$732,847, respectively)	8,864,478	9,601,831
Other operating revenue	1,910,980	941,939
Total operating revenue	<u>110,367,067</u>	<u>111,017,374</u>
 EXPENSES		
Operating expenses:		
Salaries and wages	82,782,508	77,073,365
Benefits	24,207,705	22,105,771
Scholarships and fellowships	14,344,600	14,277,259
Utilities	5,232,127	5,161,245
Supplies and materials	34,880,094	32,129,748
Non-capitalized facility improvements	7,370,484	2,309,830
Other	4,704,234	4,146,893
Depreciation	9,636,491	9,274,506
Total operating expenses	<u>183,158,243</u>	<u>166,478,617</u>
 Operating loss	(72,791,176)	(55,461,243)
 NON-OPERATING REVENUES (EXPENSES)		
State appropriation	57,997,000	51,547,040
Investment income, gains and losses	5,035,449	7,493,133
Interest on capital asset-related debt	(1,902,185)	(1,579,215)
Other non-operating revenue	-	265,000
Net non-operating revenues	<u>61,130,264</u>	<u>57,725,958</u>
Gain before other revenues, expenses, gains or losses	<u>(11,660,912)</u>	<u>2,264,715</u>
 Capital appropriations	15,934,512	15,452,563
Gifts to permanent endowments	600,000	100,872
Total other revenues and expenses	16,534,512	15,553,435
Increase in net assets	4,873,600	17,818,150
 NET ASSETS		
Net assets, beginning of year	274,026,160	256,208,010
Net assets, end of year	<u>\$278,899,760</u>	<u>\$274,026,160</u>

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

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007

	FY 2008	FY 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$52,991,480	\$51,485,053
Grants and contracts	37,573,702	37,358,165
Payments to vendors	(54,463,470)	(40,311,437)
Payments to employees	(107,132,917)	(98,728,642)
Payments for scholarships and fellowships	(14,344,600)	(14,277,259)
Loans issued to students	(767,633)	(2,320,856)
Collection of student loans	710,770	1,815,041
Auxiliary enterprise receipts	18,517,076	18,241,687
Other receipts (payments)	1,984,860	1,117,458
Net cash used by operating activities	<u>(64,930,732)</u>	<u>(45,620,790)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	57,997,000	51,548,798
Endowment gifts	600,000	100,872
Stafford/Plus loans receipts	51,043,851	52,876,158
Stafford/Plus loans disbursements	(51,081,813)	(52,906,770)
Agency fund receipts	8,328,490	7,041,098
Agency fund disbursements	(8,133,279)	(7,432,113)
Net cash provided by noncapital financing activities	<u>58,754,249</u>	<u>51,228,043</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bond issuance	-	33,715,000
Capital appropriations	15,172,679	15,145,423
Purchases of capital assets	(22,177,432)	(35,533,865)
Contributions and gifts in-kind	-	265,000
Principal paid on capital debt and leases	(1,593,762)	(6,990,260)
Interest paid on capital debt and leases	(1,841,053)	(1,536,306)
Net cash provided (used) by capital financing activities	<u>(10,439,568)</u>	<u>5,064,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	22,300,200	18,932,945
Interest on investments	5,201,658	6,397,014
Purchase of investments	(22,384,749)	(12,947,543)
Net cash provided by investing activities	<u>5,117,109</u>	<u>12,382,416</u>
Net increase (decrease) in cash	(11,498,942)	23,054,661
Cash, beginning of year	<u>35,553,103</u>	<u>12,498,442</u>
Cash, end of year	<u>\$24,054,161</u>	<u>\$35,553,103</u>

STATEMENT OF CASH FLOWS *(continued)*

For the Years Ended June 30, 2008 and 2007

Reconciliation of net operating revenue (expenses) to net cash provided (used) by operating activities:

	FY 2008	FY 2007
Operating income (loss)	\$(72,791,176)	\$(55,461,243)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	9,636,492	9,274,505
Changes in assets and liabilities:		
Receivables, net	380,852	(3,218,431)
Inventories	(84,850)	(9,677)
Other assets	123,740	11,706
Accounts payable	(2,939,436)	3,160,456
Deferred revenue	155,693	309,081
Deposits held for others	163,752	145,815
Compensated absences	398,860	586,768
Loans to students	25,341	(419,770)
Net cash used by operating activities	<u>\$(64,930,732)</u>	<u>\$(45,620,790)</u>
NONCASH TRANSACTIONS:		
Buildings and equipment	-	758,627
Capital leases	-	(758,627)
Contributions in-kind	-	265,000

BALANCE SHEETS — COMPONENT UNIT (FOUNDATION)

	June 30,	
	2008	2007
ASSETS		
Cash and cash equivalents	\$2,378,416	\$1,943,590
Promises to give, net of allowances and discounts	616,914	1,322,814
Other assets	564,815	700,123
Contributions receivable from charitable trusts	724,240	625,394
Investments held in charitable trusts	232,055	294,217
Investments	12,263,873	13,024,812
Beneficial interest in perpetual trusts	2,316,750	1,941,659
	<u>\$19,097,063</u>	<u>\$19,852,609</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$105,997	\$50,362
Deferred revenue	-	900
Annuities payable	233,676	143,799
Notes payable	598,347	729,404
Total liabilities	<u>938,020</u>	<u>924,465</u>
NET ASSETS:		
Unrestricted	(49,925)	(95,022)
Temporarily restricted	4,218,794	5,742,236
Permanently restricted	13,990,174	13,280,930
Total net assets	<u>18,159,043</u>	<u>18,928,144</u>
	<u>\$19,097,063</u>	<u>\$19,852,609</u>

STATEMENT OF ACTIVITIES — COMPONENT UNIT (FOUNDATION)

	Year Ended June 30, 2008				Year Ended June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND SUPPORT								
Contributions	\$94,145	\$1,217,415	\$927,980	\$2,239,540	\$431,645	\$1,771,333	\$898,624	\$3,101,602
Contributions from trusts	-	72,762	-	72,762	-	55,016	-	55,016
Investment income, net of fees of \$90,178 and \$70,841, respectively	42,409	452,605	-	495,014	9,996	263,629	-	273,625
Realized gain (loss) on investments	(23)	675,762	-	675,739	-	619,300	-	619,300
Unrealized gain (loss) on investments	(894)	(1,779,064)	-	(1,779,958)	-	873,009	-	873,009
Change in value of split-interest agreements	-	(151,936)	-	(151,936)	-	167,450	-	167,450
Support provided by Eastern Washington University	1,671,736	-	-	1,671,736	1,677,826	-	-	1,677,826
Other	606	321,826	27,116	349,548	-	352,663	4,550	357,213
Net assets released from restrictions and other transfers	2,578,664	(2,332,812)	(245,852)	-	2,641,126	(2,436,669)	(204,457)	-
Total revenues, gains, and support	<u>4,386,643</u>	<u>(1,523,442)</u>	<u>709,244</u>	<u>3,572,445</u>	<u>4,760,593</u>	<u>1,665,731</u>	<u>698,717</u>	<u>7,125,041</u>
EXPENSES								
Management and general	141,308	-	-	141,308	473,186	-	-	473,186
Fundraising	83,706	-	-	83,706	54,310	-	-	54,310
Support provided to/for Eastern Washington University	4,116,532	-	-	4,116,532	4,144,490	-	-	4,144,490
	<u>4,341,546</u>	<u>-</u>	<u>-</u>	<u>4,341,546</u>	<u>4,671,986</u>	<u>-</u>	<u>-</u>	<u>4,671,986</u>
CHANGE IN NET ASSETS	45,097	(1,523,442)	709,244	(769,101)	88,607	1,665,731	698,717	2,453,055
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(95,022)</u>	<u>5,742,236</u>	<u>13,280,930</u>	<u>18,928,144</u>	<u>(183,629)</u>	<u>4,076,505</u>	<u>12,582,213</u>	<u>16,475,089</u>
NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$(49,925)</u></u>	<u><u>\$4,218,794</u></u>	<u><u>\$13,990,174</u></u>	<u><u>\$18,159,043</u></u>	<u><u>\$(95,022)</u></u>	<u><u>\$5,742,236</u></u>	<u><u>\$13,280,930</u></u>	<u><u>\$18,928,144</u></u>

NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2008

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. The University's financial activity is included in the general purpose financial statements of the State of Washington.

The Eastern Washington University Foundation (Foundation) is established as a tax exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation's 35-member board consists of graduates and friends of the University. The University has an agreement with the Foundation to 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 staff to operate the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a legally separate component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements include assets and earnings of other unrelated entities; these amounts are not material to the Foundation's financial position taken as a whole. During the fiscal year ended June 30, 2008, the Foundation distributed more than \$2.4 million to the University for restricted and unrestricted purposes which includes both student scholarships and program support. Intra-entity transactions and balances between the University

and Foundation are not eliminated for financial statement presentation. Complete financial statements for the Foundation can be obtained from the Foundation's administrative office located at 127 Hargreaves Hall, Cheney, WA 99004.

BASIS OF ACCOUNTING

The financial statements of the University are presented in accordance with accounting principles generally accepted in the United States of America. The University reports as a special purpose government engaged in 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. 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.

In accordance with GASBS No. 39, the Foundation is considered a legally separate component unit of the University. As a non-governmental component unit, the Foundation follows applicable non-profit reporting and disclosure standards. Revenue recognition principles for these financial accounting standards may differ from those

which apply to the University; results have not been restated.

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 EQUIVALENTS

Cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less. Funds invested through the State Treasurer's Local Government Investment Pool are reported as cash equivalents.

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 incurred.

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 infrastructure and \$5,000 or greater for all other capital assets which includes land improvements, buildings and 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.

ACCRUED LEAVE

Accrued annual and sick leave are categorized as non-current liabilities under the assumption that employees are using most of the leave they are earning. Compensatory time, which must be used within ninety days following fiscal year end, is categorized as a current liability.

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 total net assets have been made to 2007 amounts in order to conform to 2008 presentation.

Note 2: Deposits and Investments

Deposits are comprised of cash and cash equivalents which 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). Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

At June 30, 2008, insured/collateralized deposits consist of the following:

DEPOSITS		Carrying Value June 30, 2008
Cash and cash equivalents		
Interest bearing		\$23,908,876
Other		145,285
Total deposits		\$24,054,161

Through its investment policies for operating funds, the University manages its exposure to custodial credit risk, credit (quality) risk, interest rate risk, concentration of credit risk, and foreign currency risk. Eligible investments are only those securities and deposits authorized by state statute RCW 39 and 43. At June 30, 2008, investments consist of the following:

INVESTMENT PORTFOLIO					
	Fair Value	Investment Maturities for Fixed Income Securities (in months)			
		0 - 9	10 - 24	25 - 60	61 - 120
Investments – Operating Funds					
U.S. Government agency bonds	\$19,966,328		\$ 9,029,100	\$10,937,228	
Certificates of deposit	16,721,101	\$6,195,445	10,525,656		
Other deposits	10,000				
Investments – Endowment Funds					
Investments unit trusts					
Equity fund	4,446,885				
Bond fund	2,867,871				\$2,867,871
Total investments	\$44,012,185	\$6,195,445	\$19,554,756	\$10,937,228	\$2,867,871

At June 30, 2008, the net appreciation on investments of donor-restricted endowments that is available for expenditure authorization is \$2,268,514 which is reported as restricted, expendable 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 5 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.

The Bond Fund is comprised of many underlying securities including debt instruments with varied maturity dates. As a whole, the fund had a weighted average maturity of 7.8 years at year end.

Custodial Credit Risk. Investments, where evidenced by specific, identifiable securities, are insured or registered or are held by the University's custodian bank in the University's name. All securities transactions are conducted on a delivery-versus-payment basis. Invested assets of donor-restricted endowments are represented by shares in

investment unit trusts (pools) rather than specific, identifiable securities and, as such, are not directly subject to custodial credit risk. Similarly, cash equivalents held in the Local Government Investment Pool are also represented by shares in investment unit trusts.

Credit (Quality) Risk. For operating funds, the University limits exposure to credit risk by limiting investments in fixed income securities to obligations of the U.S. government or similar instruments explicitly guaranteed by the U.S. government which are not considered to have credit risk. Underlying debt securities in unitized investments had an average rating of AA at year end.

Interest Rate Risk. The University manages its exposure to fair value losses resulting from changes in interest rates by structuring the total portfolio time horizon. Unless matched to a specific cash flow, the University generally will not directly invest operating funds in securities maturing more than five years from the date of purchase. The goal of the overall portfolio for operating funds is to maintain each individual portfolio at a desired target percentage to balance cash flow requirements, safety, liquidity and yield. For endowment funds, the goal is to maintain a ratio of debt and equity investments which recognizes the inherent growth potential of equities and bonds for an endowment that will exist in perpetuity.

INVESTMENT POLICY BY PORTFOLIO		
	Target	Policy Range
Operating funds		
Liquidity pool	25%	20-40%
Intermediate pool	50%	30-60%
Long-term pool	25%	15-40%
Endowment funds		
Domestic equity	60%	50-70%
Fixed income	30%	20-40%
Foreign equity	5%	0-10%
Cash	5%	0-5%

Concentration of Credit Risk. The University's investment policy for operating funds does not limit its exposure to concentration of credit risk. However, operating funds are invested only in securities

issued by or explicitly guaranteed by the U.S. government or those covered by the FDIC or by collateral held in a multiple financial institution collateral pool. Foreign Currency Risk. A small percentage of underlying securities within unitized

investments may be denominated in foreign currency. Any adverse effect on the fair value of investments resulting from changes to exchange rates is not considered to be significant to the portfolio as a whole.

Note 3: Accounts and Student Loans Receivable

Accounts and student loans receivable at June 30, 2008 and 2007 consist of the following:

ACCOUNTS AND STUDENT LOANS RECEIVABLE		
	<i>June 30, 2008</i>	<i>June 30, 2007</i>
Accounts receivable		
Student tuition and fees	\$2,961,236	\$3,126,223
Auxiliary enterprises (less allowances of \$178,084 and \$128,930, respectively)	1,152,006	1,479,423
Contracts and grants	3,875,981	3,902,858
State reimbursement	2,740,796	1,978,964
Other (less allowances of \$108,532 and \$8,239, respectively)	561,471	423,041
Total accounts receivable	\$11,291,490	\$10,910,509
Student loans receivable		
Federal programs (less allowances of \$601,265 and \$546,877, respectively)	\$5,781,595	\$5,774,278
Institutional loans (less allowances of \$21,989 and \$23,130, respectively)	69,455	102,113
Total student loans receivable	\$5,851,050	\$5,876,391

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

Vacation leave liability at June 30, 2008, totals \$3,546,687. This amount represents a liability to the University and is recorded and reported accordingly.

Accumulated sick leave earned and unused at June 30, 2008, calculated at 25 percent of unused balance, totals \$1,067,647. 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.

Accrued compensatory time liability at June 30, 2008, totals \$3,726. This amount represents a liability to the University and is recorded and reported accordingly. Earned compensatory time is expected to be used within one year and is therefore classified as a short-term liability.

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 total \$2,605,406 at June 30, 2008.

Note 7: Capital Assets

Capital asset activity for the year ended June 30, 2008, is summarized as follows:

CAPITAL ASSETS				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
NON-DEPRECIABLE CAPITAL ASSETS				
Land	\$2,090,954	\$ -	\$ -	\$ 2,090,954
Construction in progress	22,190,365	18,539,718	30,823,570	9,906,513
Subtotal	24,281,319	18,539,718	30,823,570	11,997,467
DEPRECIABLE CAPITAL ASSETS				
Land improvements	11,380,291	341,237	-	11,721,528
Infrastructure	28,411,864	246,363	-	28,658,227
Buildings	239,775,044	29,563,961	-	269,339,005
Furniture, fixtures and equipment	25,520,520	3,291,239	-	28,811,759
Library materials	26,274,296	1,388,558	-	27,662,854
Subtotal	331,362,015	34,831,358	-	366,193,373
Total Capital Assets	355,643,334	53,371,076	30,823,570	378,190,840
Less accumulated depreciation:				
Land improvements	3,598,434	311,090	-	3,909,524
Infrastructure	13,499,164	874,360	-	14,373,524
Buildings	73,045,024	4,932,840	-	77,977,864
Furniture, fixtures and equipment	16,151,296	2,598,051	-	18,749,347
Library materials	15,855,662	920,154	-	16,775,816
Total accumulated depreciation	122,149,580	9,636,495	-	131,786,075
Capital assets, net of depreciation	\$233,493,754	\$43,734,581	\$30,823,570	\$246,404,766

Note 8: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, is summarized as follows:

LONG-TERM LIABILITIES					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Leases and bonds payable					
Lease obligations (Note 9)	\$5,238,512	\$ -	\$493,371	\$4,745,141	\$503,482
General obligation bonds	808,040	-	295,391	512,649	309,290
Revenue bonds payable (Note 10)	36,620,000	-	805,000	35,815,000	1,310,000
Total leases and bonds payable	42,666,552	-	1,593,762	41,072,790	2,122,772
Other liabilities					
Net pension obligation (Note 12)	314,592	213,773	-	528,365	-
Compensated absences (Note 5)	4,432,973	3,994,777	3,809,690	4,618,060	3,726
Total long-term liabilities	\$47,414,117	\$4,208,550	\$5,403,452	\$46,219,215	\$2,126,498

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 2009 through 2013. Total operating lease expenses in fiscal year 2008 were \$408,933. 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, 2008, are as follows:

ANNUAL LEASE PAYMENTS		
Fiscal Year	Operating	Capital
2009	\$343,185	\$756,665
2010	219,782	744,452
2011	168,332	580,343
2012	81,347	544,750
2013	18,267	447,079
2014-18	-	1,925,000
2019-23	-	1,587,627
Obligation under leases	\$830,913	6,585,916
Less: Amount representing interest costs		(1,840,775)
Present value of minimum obligation under capital leases		\$4,745,141

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. 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.

BONDS PAYABLE				
	Interest Rate	Maturity Date	Original Balance	Balance Outstanding
Eastern Washington University				
Housing and Dining System Revenue/Refunding Bonds, Series 2002	2.50% - 3.80%	2008-2013	\$ 4,515,000	\$ 2,465,000
Service and Activities Revenue Bonds, Series 2006	4.00% - 5.00%	2008-2038	28,090,000	28,090,000
Service and Activities Refunding Bonds, Series 2006	4.00% - 4.00%	2008-2019	5,625,000	5,260,000
Total Revenue Bonds			38,230,000	35,815,000
State of Washington General Obligation Bonds				
Refunding Bonds, Series R-93A	3.90% - 5.75%	2008-2011	708,756	212,026
Refunding Bonds, Series R-01A	4.50% - 9.00%	2008-2010	1,561,932	300,623
Total General Obligation Bonds			2,270,688	512,649
Total bonds payable			\$40,500,688	\$36,327,649

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:

DEBT SERVICE REQUIREMENTS						
Fiscal Year	Eastern Washington University		State General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	1,310,000	1,489,960	309,290	20,137	1,619,290	1,510,097
2010	1,365,000	1,439,933	129,041	7,911	1,494,041	1,447,844
2011	1,420,000	1,386,637	74,318	2,137	1,494,318	1,388,774
2012	1,490,000	1,330,183	-	-	1,490,000	1,330,183
2013	1,555,000	1,270,582	-	-	1,555,000	1,270,582
2014-2018	5,800,000	5,639,887	-	-	5,800,000	5,639,887
2019-2023	4,490,000	4,556,488	-	-	4,490,000	4,556,488
2024-2028	4,800,000	3,663,928	-	-	4,800,000	3,663,928
2029-2033	5,940,000	2,534,747	-	-	5,940,000	2,534,747
2034-2038	7,645,000	990,609	-	-	7,645,000	990,609
Totals	\$ 35,815,000	\$ 24,302,954	\$ 512,649	\$ 30,185	\$ 36,327,649	\$ 24,333,139

Note 11: Pledged Revenues

The University has pledged specific revenues, net of certain operating expenses, to repay the principal and interest of revenue and refunding bonds as follows:

PLEGGED REVENUES						
Source of Revenue Pledged	Current Year Revenues Pledged (net)	Current Year Debt Service	Total Future Revenues Pledged	Description of Debt	Purpose of Debt	Term of Commitment
Housing & Dining revenues, net of operating expense	2,187,986	530,175	2,697,907	H&D Revenue & Refunding Bonds – Series 2002	Refund outstanding debt on H&D Bonds of 1992	2013
S&A Fee Revenue	642,379	582,700	6,510,800	Service & Activities Fee Refunding Bonds – Series 2006	Refund outstanding debt on S&A Revenue Bonds of 1993	2019
University Recreation Center fee (a)	699,219	1,216,617	50,909,246	Service & Activities Fee Revenue Bonds – Series 2006	Construction of a new student recreation center	2038

(a) Current year debt service represents capitalized interest for the S&A Fee Revenue Bonds – Series 2006.

Note 12: Pension Plans

The University offers four contributory pension 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, 2008, was \$82,782,508. The payroll for employees covered by PERS was \$24,661,525; payroll for employees covered by TRS was \$246,731; payroll for employees covered by LEOFF was \$598,801; and payroll for employees covered by the Eastern Washington University Retirement Plan was \$46,540,089.

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, 2008 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 AND REQUIRED CONTRIBUTIONS					
	Contribution Rates at June 30, 2008		Required Employer Contributions		
	Employee	University	FY 2006	FY 2007	FY 2008
PERS					
Plan I	6.00%	6.13%	\$60,947	\$99,274	\$ 125,691
Plan II	4.15%	6.13%	380,712	734,825	1,177,282
Plan III	Varies	6.13% *	57,302	123,872	210,090
TRS					
Plan I	6.00%	5.82%	\$7,108	\$8,873	\$8,717
Plan II	2.90%	5.82%	-	4,686	5,470
LEOFF					
Plan II	8.64%	8.80%	\$29,334	\$38,803	\$52,794

* 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 one-time 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, 2008.

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, 2008, total \$3,952,232.

The University supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of July 1, 2007. The actuarial assumptions for the evaluation included an investment rate of return of 5% and projected salary increases ranging from 2% to 4%. The previous evaluation was performed in 2004. Based on assumptions made regarding expected benefit payments, the actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The University uses this cash flow projection to budget annual amounts to provide funds for these benefits. The unfunded actuarial accrued liability calculated at July 1, 2007 was \$2,854,000 under the plan's entry age normal method and is amortized over a 16.5 year period. The annual required contribution (ARC) is projected at \$365,000. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability on the University's financial statements. The above table reflects the activity in the net pension obligation for the fiscal years ended June 30, 2007 and 2008, respectively:

NET PENSION OBLIGATION		
	FY 2007	FY 2008
Balance as of July 1	\$ 113,485	\$ 314,592
Add: Annual required contribution	365,000	365,000
Less: Payments to beneficiaries	163,893	151,227
Balance as of June 30	\$314,592	\$528,365

Note 13: Other Post-Employment Benefits

Effective for fiscal year 2008, the Governmental Accounting Standards Board issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Other post-employment benefits (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 the Office of Financial Management, Insurance Building, P.O. Box 43113, Olympia, Washington 98504-3113.

The University funds OPEB obligations on a pay-as-you-go basis. Funding status through the fiscal year ended June 30, 2008 follows:

NET OPEB OBLIGATION	
	FY 2008
Balance as of July 1	\$ -
Add: Estimated annual OPEB expense	3,556,000
Less: Estimated contributions	492,000
Balance as of June 30	\$3,064,000

Note 14: 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. Summarized activity as of and for the years ended June 30, 2008 and 2007 follows:

CONDENSED STATEMENT OF NET ASSETS				
	Housing and Dining System Revenue Bonds Series 2002		Associated Student Activities Revenue and Refunding Bonds Series 2006 and 1993	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Assets				
Current assets	\$ 4,882,781	\$ 3,873,834	\$ 1,994,268	\$14,178,811
Non-current assets	22,554,083	24,247,243	38,091,290	28,497,232
Total assets	27,436,864	28,121,077	40,085,558	42,676,043
Liabilities				
Current liabilities	1,694,965	1,655,370	1,292,233	2,710,082
Non-current liabilities	6,351,581	7,157,623	32,711,137	33,539,565
Total liabilities	8,046,546	8,812,993	34,003,370	36,249,647
Net assets				
Invested in capital assets, net of related debt	14,267,377	14,561,252	3,894,538	(6,443,570)
Restricted	187,250	187,250	-	11,002,037
Unrestricted	4,935,691	4,559,582	2,187,650	1,867,929
Total net assets	\$19,390,318	\$19,308,084	\$6,082,188	\$6,426,396

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Housing and Dining System Revenue Bonds Series 2002		Associated Student Activities Revenue and Refunding Bonds Series 2006 and 1993	
	FY 2008	FY 2007	FY 2008	FY 2007
Operating revenues	\$13,797,661	\$14,324,782	\$3,289,221	\$2,437,146
Operating expenses	13,583,208	13,467,202	2,693,697	2,115,508
Net operating income	214,453	857,580	595,524	321,638
Non-operating revenues (expenses)	(132,219)	(177,728)	(1,156,297)	(277,366)
Transfers	-	914,350	216,565	245,974
Change in net assets	82,234	1,594,202	(344,208)	290,246
Net assets, beginning of year	19,308,084	17,713,882	6,426,396	6,136,150
Net assets, end of year	\$19,390,318	\$19,308,084	\$6,082,188	\$6,426,396

CONDENSED STATEMENT OF CASH FLOWS

	Housing and Dining System Revenue Bonds Series 2002		Associated Student Activities Revenue and Refunding Bonds Series 2006 and 1993	
	FY 2008	FY 2007	FY 2008	FY 2007
Net cash flows provided by operating activities	\$1,532,926	\$1,567,403	\$979,721	\$564,476
Net cash flows provided (used) by non-capital and related financing activities	-	(50,000)	90,000	140,000
Net cash flows provided (used) by capital and related financing activities	(1,113,901)	(1,278,211)	(13,721,364)	11,651,998
Net cash flows provided (used) by investing activities	(24,360)	763,662	10,334	1,094,827
Net increase in cash	394,665	1,002,854	(12,641,309)	13,451,301
Cash—beginning of year	2,144,455	1,141,601	13,750,819	299,518
Cash—end of year	\$2,539,120	\$2,144,455	\$ 1,109,510	\$13,750,819

Note 15: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2008 and 2007 are summarized as follows:

OPERATING EXPENSES		
	FY 2008	FY 2007
Educational and general		
Instruction	\$60,975,346	\$61,052,434
Research	1,482,910	2,133,528
Public service	5,661,786	3,321,828
Academic support	11,513,834	10,253,186
Student services	13,811,038	12,759,642
Institutional support	16,907,847	13,849,929
Operation and maintenance of plant	25,051,254	16,715,217
Scholarships and fellowships	11,876,422	11,673,303
Auxiliary enterprises	26,241,315	25,445,044
Depreciation	9,636,491	9,274,506
Total operating expenses	\$183,158,243	\$166,478,617

Note 16: 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.

In September 2008, the University entered into a memorandum of intent and understanding with Washington State University to develop a long range plan for the Riverpoint campus located in downtown Spokane. Eastern Washington University agreed to retroactivity contribute \$500,000 for fiscal year 2008 and an additional \$500,000 for fiscal year 2009 by September 30, 2008, plus annual payments of \$500,000 during the 2009-11 biennium due on July 31, 2010 and July 31, 2011, respectively.

Outstanding purchase orders and other commitments at June 30, 2008 totals \$15,322,313 for various goods and services.



Statistical Section
Five-Year Historical Review

FIVE-YEAR HISTORICAL REVIEW – UNAUDITED
Years Ended June 30 *(in thousands)*

	2008	2007	2006	2005	2004
REVENUES					
Tuition and fees (net of allowance)	\$52,716	\$52,178	\$49,331	\$45,196	\$42,466
Gifts, grants and contracts	37,559	38,872	35,653	34,986	34,029
Auxiliary enterprises (net of allowance)	18,181	19,026	18,261	17,898	17,547
Other sources	1,911	942	857	884	878
Total operating revenues	<u>110,367</u>	<u>111,018</u>	<u>104,102</u>	<u>98,964</u>	<u>94,920</u>
EXPENSES					
Instruction	60,975	61,052	56,285	52,521	48,583
Research	1,483	2,134	2,044	1,580	1,435
Public service	5,662	3,322	3,390	2,484	2,486
Academic support (including libraries)	11,514	10,253	8,864	8,195	7,817
Student services	13,811	12,760	11,254	10,593	9,462
Institutional support	16,908	13,850	12,238	11,261	10,632
Plant operation and maintenance	25,051	16,715	15,467	14,474	13,515
Scholarships and fellowships	11,876	11,673	11,597	11,195	12,045
Auxiliary enterprises	26,241	25,445	24,541	23,531	22,364
Depreciation	9,637	9,275	7,623	7,386	7,082
Total operating expenses	<u>183,158</u>	<u>166,479</u>	<u>153,303</u>	<u>143,220</u>	<u>135,421</u>
Operating loss	(72,791)	(55,461)	(49,201)	(44,256)	(40,501)
NON-OPERATING REVENUES (EXPENSES)					
State appropriations	57,997	51,547	48,424	43,188	41,649
Investment income, gains and losses	5,035	7,493	4,625	3,943	3,635
Interest on capital asset-related debt	(1,902)	(1,579)	(796)	(853)	(920)
Other non-operating revenue	-	265	-	10	-
Total non-operating revenues	<u>61,130</u>	<u>57,726</u>	<u>52,253</u>	<u>46,288</u>	<u>44,364</u>
Income before capital contributions and additions to endowments	(11,661)	2,265	3,052	2,032	3,863
Capital appropriations	15,935	15,453	16,600	20,940	15,862
Additions to permanent endowments	600	101	610	200	125
Total other	<u>16,535</u>	<u>15,554</u>	<u>17,210</u>	<u>21,140</u>	<u>15,987</u>
Increase in net assets	\$4,874	\$17,819	\$20,262	\$23,172	\$19,850
CAPITAL ASSETS <i>(in thousands)</i>					
Land	\$2,091	\$2,091	\$2,091	\$2,091	\$2,091
Buildings	269,339	239,775	231,811	194,367	190,520
Land improvements/infrastructure	40,380	39,792	37,311	33,240	31,680
Equipment	28,812	25,521	21,540	19,732	16,215
Library resources	27,663	26,274	24,914	23,682	22,592
Construction in progress	9,906	22,190	3,284	28,483	12,851
Accumulated depreciation	(131,786)	(122,150)	(113,303)	(106,370)	(99,492)
Total capital assets, net	<u>\$246,405</u>	<u>\$233,493</u>	<u>\$207,648</u>	<u>\$195,225</u>	<u>\$176,457</u>
ENROLLMENTS <i>(head count, state funded only)</i>					
Fall quarter	9,841	10,005	9,868	9,775	9,506
Academic year average	9,451	9,531	9,479	9,317	9,126
TUITION AND FEES <i>(per academic year)</i>					
Undergraduate - resident	\$ 4,485	\$4,278	\$4,044	\$3,822	\$3,582
Undergraduate - nonresident	13,350	13,335	13,317	13,299	12,438
Graduate - resident	6,480	6,465	6,108	5,772	5,772
Graduate - nonresident	17,133	17,118	17,100	17,085	17,085



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