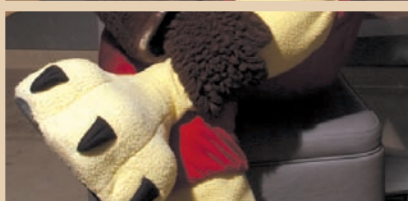




# Financial Report 2009



**EASTERN**  
WASHINGTON UNIVERSITY

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# Contents

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## **Introductory Section**

Message from the President	2
Board of Trustees, Administration, University Deans and Mission Statement	3

## **Financial Section**

Independent Auditor's Report	5
Management's Discussion and Analysis	6
Statement of Net Assets	12
Statement of Revenue, Expenses and Changes in Net Assets	13
Statement of Cash Flows	14
Balance Sheet – Component Unit (Foundation)	16
Statement of Activities – Component Unit (Foundation)	17
Notes to Financial Statements	18

## **Statistical Section**

Five-Year Historical Review	28
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# Letter from the President

2

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Despite the ongoing budget challenges, I am pleased to say Eastern Washington University has had a productive year, and many promising opportunities lie ahead for the university. Record enrollment, a restructuring of our colleges and a commitment to quality student instruction are just some of the reasons Eastern continues to prosper.

EWU is on solid ground because of the university's willingness to reduce spending and make significant administrative and staff reductions in response to state budget cuts. Most recently, we have announced the consolidation of our colleges from six to four. This will save operating costs and help us reach our goal of finding new efficiencies.

This year Eastern experienced record enrollment, and our numbers for winter quarter remain well over 10,000 students. At the same time, our health sciences and business programs at EWU Spokane continue to thrive because of the growing relationship between the University District and the downtown area.

Our main goal has been to continue to provide a quality educational experience

during this period of reduced funding. We have done this by making sure classes are available in critical, high-demand areas, and by the willingness of our faculty to take on more students in their classes.

Still, many challenges lie ahead as the economy continues a slow recovery. The state is looking at more cuts to higher education, and the university is doing everything it can to make sure students are not adversely impacted by any of the changes that may be coming. We continue to focus on our institutional goals of enhancing our student retention rates and student graduation rates.

Throughout the process, Eastern is committed to working with the university community to make critical budget decisions. We are also following the path of the budget principals outlined by the Board of Trustees, which charges us to put students first, work collaboratively and look for new efficiencies and revenue enhancing strategies.

Thank you for your interest in the business affairs at EWU, and I look forward to greeting you next year with the news that we are continuing to adapt and flourish, even in this challenging financial environment.

A handwritten signature in black ink that reads "Rodolfo Arévalo". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rodolfo Arévalo, PhD  
President

## **Board of Trustees** (As of 6/30/09)

Jo Ann Kauffman (Chair)  
Bertha Ortega (Vice Chair)  
Gordon Budke  
Courtney Fleming (Student Trustee)  
Neil McReynolds  
Kris Mikkelsen  
Paul Tanaka  
Ines Zozaya-Geist

## **Administration** (As of 6/30/09)

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 6/30/09)

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.

3

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4

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## Financial Section

Independent Auditor's Report .....	5
Management's Discussion and Analysis .....	6
Statement of Net Assets .....	12
Statement of Revenue, Expenses and Changes in Net Assets .....	13
Statement of Cash Flows .....	14
Balance Sheet – Component Unit (Foundation) .....	16
Statement of Activities – Component Unit (Foundation) .....	17
Notes to Financial Statements .....	18





## Washington State Auditor Brian Sonntag

### INDEPENDENT AUDITOR'S REPORT

January 25, 2010

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, 2009 and 2008, 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 reports thereon have 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 reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits and the reports 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, 2009 and 2008, 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 audits 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, 2009 and 2008, and the respective changes in financial position and 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 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



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# Management's Discussion and Analysis

## Eastern Washington University

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, 2009, with comparative 2008 and 2007 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.

*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.

receivables and inventories. The amount in current assets at the end of 2007 was expected to be short-lived as revenue bond proceeds were used to complete the new University Recreation Center in May 2008 (see Capital Asset and Debt Activities section for additional discussion). The increase in current assets for 2009 is mainly from a reallocation of long term to shorter term deposits and investments. Accounts receivable also increased by \$3 million for state capital expense reimbursements and student tuition and fees.

The University continues to increase the investment in capital assets which consist of land, buildings, infrastructure and equipment (Note 7). 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 University Recreation Center. Another notable increase stems from major renovations to Hargreaves Hall well underway during 2008 and completed in 2009.

Other non-current assets are comprised mainly of endowments, long-term investments and student loan receivables. The reallocation from long term to short term investments in 2008 and to cash and cash equivalents in 2009 accounted for most of the decrease in non-current assets (Note 2). Although non-current assets decreased, total assets increased overall in 2008 and 2009.

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

6

## 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*

## Reclassifications

Certain reclassifications not affecting total net assets have been made to 2007 and 2008 amounts in order to conform to 2009 presentation.

## 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, 2009, 2008 and 2007, is shown below.

Current assets consist primarily of cash, short term investments, accounts

## Statement of Net Assets (in thousands)

	As of June 30		
	2009	2008	2007
<b>Assets</b>			
Current assets	\$75,940	\$61,323	\$67,135
Capital assets, net of depreciation	250,194	246,405	233,494
Other non-current assets	27,606	33,554	39,424
<b>Total Assets</b>	<b>353,740</b>	<b>341,282</b>	<b>340,053</b>
<b>Liabilities</b>			
Current liabilities	20,055	18,289	20,218
Non-current liabilities	43,303	44,093	45,809
<b>Total Liabilities</b>	<b>63,358</b>	<b>62,382</b>	<b>66,027</b>
<b>Net Assets</b>	<b>\$290,382</b>	<b>\$278,900</b>	<b>\$274,026</b>

of vendor payables for capital asset improvements. 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 in 2008 and 2009 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, 2009, 2008 and 2007 are summarized as shown below.

The increase in capital assets reflects the University's continuing commitment to replacement and expansion of its capital

assets. While several minor improvement projects took place during this time, two major projects largely contributed to the increase in capital assets. Construction on the new University Recreation Center was well underway in 2007. Major renovations to Hargreaves Hall spanned 2008 and 2009.

The restricted net assets mainly include permanent endowments, student loan funds and funding available for capital projects. Balances fluctuate with the timing of capital project expenditures and contributions to permanent endowments.

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

#### Net Assets (in thousands) as of June 30

	2009	2008	2007
Invested in capital assets, net of related debt	\$211,239	\$205,722	\$203,949
Restricted:			
Non-expendable	5,434	5,234	4,633
Expendable	16,079	17,472	17,784
Unrestricted	57,630	50,472	47,660
<b>Total net assets</b>	<b>\$290,382</b>	<b>\$278,900</b>	<b>\$274,026</b>

### 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, 2009, 2008 and 2007, follows:

#### Statement of Revenues, Expenses and Changes in Net Assets (in thousands) for the year ended June 30

	2009	2008	2007
Operating revenue	\$110,441	\$101,523	\$102,742
Operating expenses	186,325	183,158	166,478
Net operating loss	(75,884)	(81,635)	(63,736)
Non-operating revenues	78,025	79,247	69,889
Non-operating expenses	1,801	1,902	1,579
Income/(loss) before other revenues	340	(4,290)	4,574
Other revenues and expenses	11,142	9,164	13,244
Increase in net assets	11,482	4,874	17,818
Net assets, beginning of year	278,900	274,026	256,208
Net assets, end of year	\$290,382	\$278,900	\$274,026





# Management's Discussion and Analysis

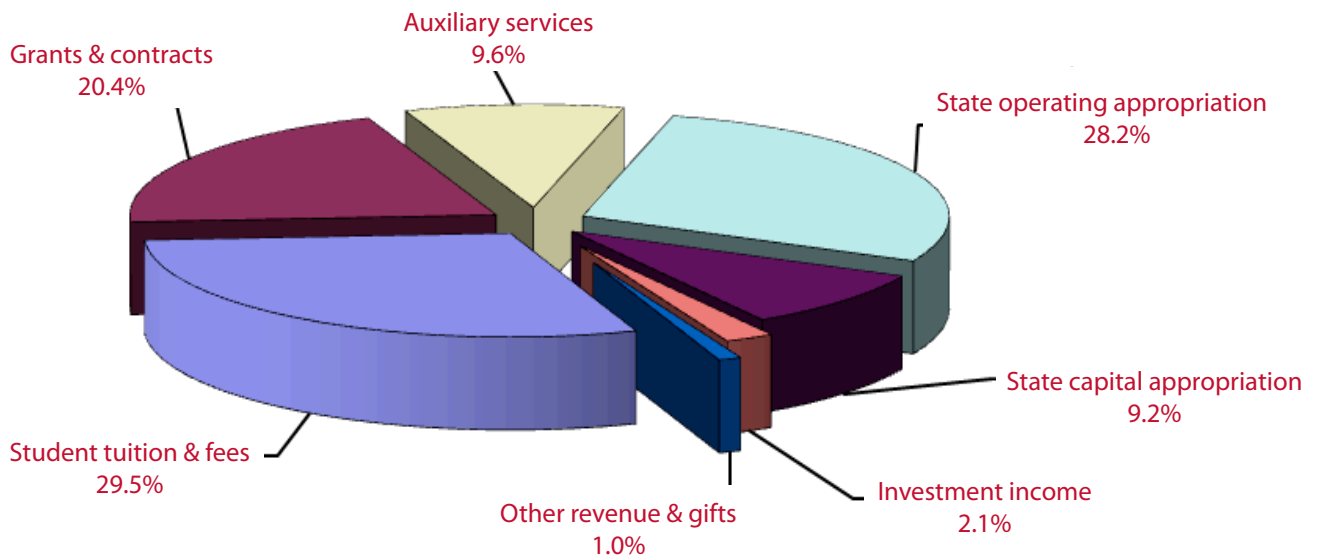
## Operating and Non-operating Revenues

Operating revenues consists primarily of tuition and fees, sponsored program revenue, and sales and services revenue generated by auxiliary enterprises and other support operations. 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) used to fund the University's programs for the year ended June 30, 2009. The ensuing table contains a comparison of revenues for years ended 2009, 2008 and 2007.

FY 2009 Revenues by Source



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Revenues by Source (in thousands)

	2009		2008		2007	
Student tuition & fees	\$ 58,785	29.5%	\$ 52,716	27.8%	\$ 52,178	28.1%
Grants & contracts	40,658	20.4%	37,559	19.8%	38,872	20.9%
Auxiliary services	19,235	9.6%	18,182	9.6%	19,026	10.2%
State operating appropriation	56,196	28.2%	57,997	30.5%	51,547	27.7%
State capital appropriation	18,274	9.2%	15,934	8.4%	15,453	8.3%
Investment income	4,268	2.1%	5,035	2.7%	7,493	4.0%
Other revenue & gifts	2,192	1.0%	2,511	1.2%	1,307	0.8%
Total	\$199,608	100.0%	\$189,934	100.0%	\$185,876	100.0%

Tuition and fees and state operating appropriations are the primary sources of funding for the University's academic programs. The increase in revenues from student tuition and fees for 2008 and 2009 is primarily the result of rate increases. The 2007 legislature authorized a maximum tuition increase of 5 percent for resident undergraduate students in each year of the 2007-09 biennium. The legislature granted full authority to the Board of Trustees to set tuition rates for all other fee paying categories.

The decrease in state operating appropriations for 2009 reflects reduced state funding for higher education which is provided through the legislative process. Similarly, 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. The increase in state capital funding for 2009 stems more from the timing of when those monies are spent and recognized as revenue rather than when appropriated by the legislature.

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. The mix between federal, state and private sources fluctuates from year to year but overall funding has remained at about 20 percent of total revenues for the three years ended 2009.

Like 2008, investment income again dropped in 2009 which reflects the market downturn and overall state of the economy.

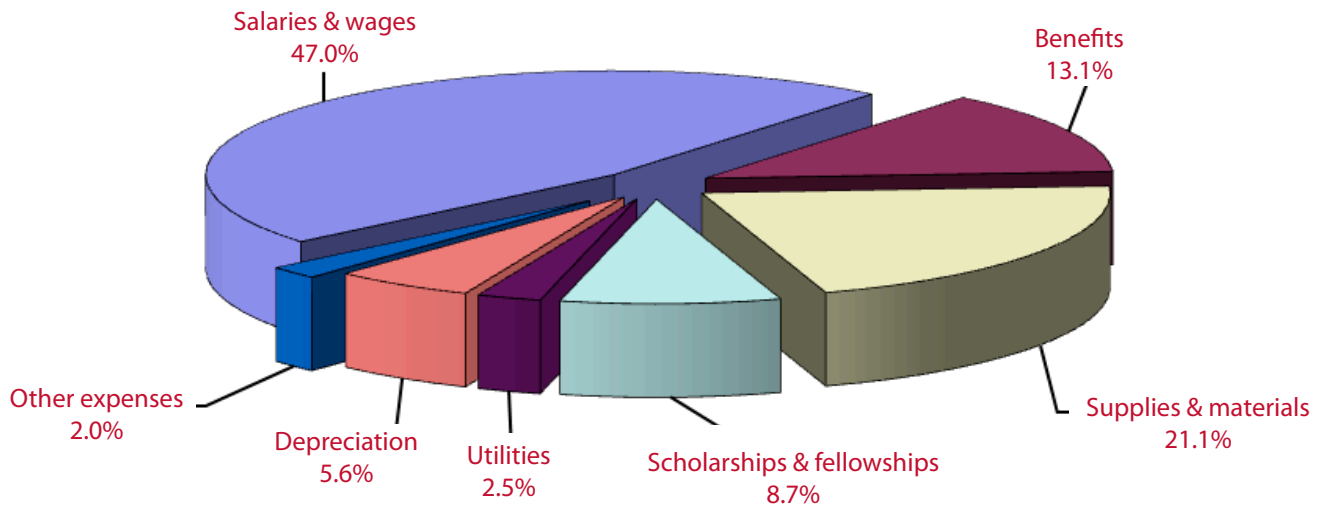
## Operating Expenses

Operating expenses consist mainly of employee compensation, supplies and materials costs, and student scholarships

and fellowships. Shown below is an illustration of operating expenses by type (object) for the year ended June 30, 2009.

The ensuing table contains a comparison of expenses for years ended June 30, 2009, 2008 and 2007.

FY 2009 Operating Expenses by Object



Operating Expenses by Type (in thousands)

	2009		2008		2007	
Salaries & wages	\$ 87,555	47.0%	\$ 82,782	45.2%	\$ 77,073	46.3%
Benefits	24,367	13.1%	24,208	13.2%	22,106	13.3%
Supplies & materials	39,380	21.1%	42,251	23.1%	34,440	20.7%
Scholarships & fellowships	16,192	8.7%	14,345	7.8%	14,277	8.6%
Utilities	4,716	2.5%	5,232	2.9%	5,161	3.1%
Depreciation	10,374	5.6%	9,636	5.3%	9,274	5.6%
Other expenses	3,741	2.0%	4,704	2.5%	4,147	2.4%
Total	\$ 186,325	100.0%	\$ 183,158	100.0%	\$ 166,478	100.0%

Salaries, wages and benefits are the major support cost for the University's programs. Other than fluctuations in staffing levels, increases in these categories are primarily the result of changes to labor agreements for compensation rates. Rising healthcare costs also contributed to the increase in 2008. Total benefit expense flattened in 2009.

An alternative view of operating expenses is by functional classification

as shown on the following page for the years ended June 30, 2009, 2008 and 2007. Instructional expenses comprise the majority of operating costs. Except for a modest increase in academic support and scholarships in 2009, other functional categories either held close to or decreased from prior year levels. The decrease in institutional support reflects budget tightening measures. Fluctuations in expenses for operation

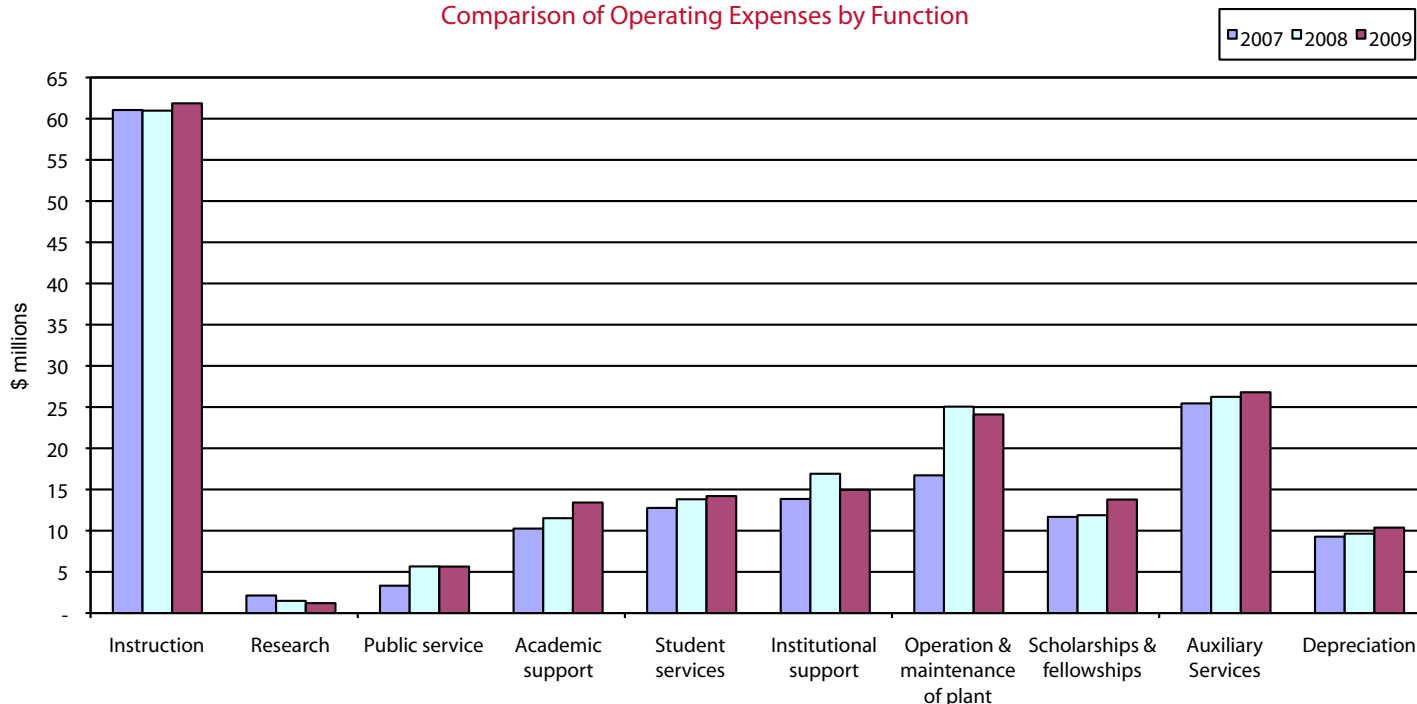
and maintenance of plant are largely impacted by non-capitalized facility improvements which were up sharply in 2008 but remained flat in 2009. These costs result from capital project expenses that are not capitalized to an asset. The amount varies by year depending on several factors including the types of projects undertaken in the comprehensive capital facilities improvement master plan.

# Management's Discussion and Analysis

10

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Comparison of Operating Expenses by Function



## Capital Asset and Debt Activities

The University's Comprehensive Master Plan is used to guide the long-range physical development of campus facilities, focusing on critical areas of need, space utilization and preservation of the infrastructure. State capital appropriations significantly contribute 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 ratio of debt relative to capital assets. The ratio decreased in 2008 and 2009 as state capital appropriations helped fuel investments in capital assets

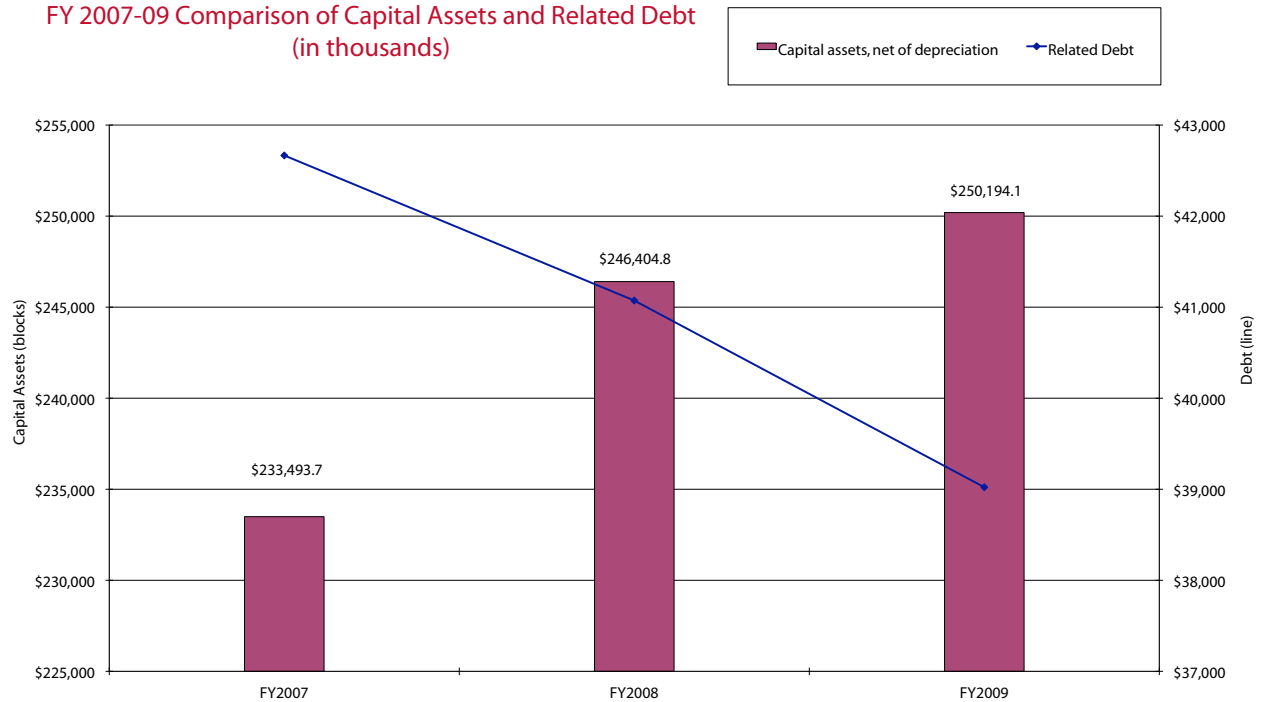
and as scheduled debt service payments began to reduce outstanding bonds.

The chart on the following page shows the progression of increasing investment in capital assets and the associated debt load used to finance the construction of those assets.

Additions to capital assets, net of depreciation and retirements, amounted to \$3.8 million in 2009 compared to \$12.9 million in 2008 and \$25.8 million in 2007. The addition in 2007 was primarily



FY 2007-09 Comparison of Capital Assets and Related Debt  
(in thousands)



related to construction of the University Recreation Center. Major renovations to Hargreaves Hall comprised the majority of additions for 2008 and 2009. The reduction in debt over the three year period is the result of scheduled repayments with almost no new debt issued after 2007. Issuance of new debt is subject to the University's overall debt capacity and capital plans as approved by the Board of Trustees. Additional information concerning capital asset and debt

activity is provided in the footnotes (Note 7, 8, 10 and 11).

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

During 2009 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. The 2007 legislature 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, 2009 and 2008

<b>ASSETS</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Current assets:		
Cash and cash equivalents	\$40,097,385	\$24,054,161
Short-term investments	12,807,087	16,721,101
Deposit with State of Washington	6,799,666	7,503,790
Accounts receivable (net of allowances of \$370,193 and \$286,616, respectively)	14,343,109	11,291,490
Student loans receivable (net of allowances of \$9,915 and \$21,989, respectively)	15,199	69,455
Inventories	1,533,839	1,459,102
Other assets	343,936	223,873
Total current assets	<u>75,940,221</u>	<u>61,322,972</u>
Noncurrent assets:		
Endowment investments	6,133,669	7,314,756
Other long-term investments	15,501,593	19,976,328
Student loans receivable (less allowances of \$803,220 and \$601,265, respectively)	5,536,325	5,781,595
Other noncurrent assets	433,674	481,515
Capital assets, net of accumulated depreciation	250,194,113	246,404,765
Total noncurrent assets	<u>277,799,374</u>	<u>279,958,959</u>
Total assets	<u>\$353,739,595</u>	<u>\$341,281,931</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$6,839,240	\$7,747,578
Accrued liabilities	5,720,738	3,614,354
Compensated absences	4,268	3,726
Deposits or funds held for others	2,296,529	1,758,380
Deferred revenue	3,164,540	3,042,644
Long-term liabilities, current portion	2,029,188	2,122,772
Total current liabilities	<u>20,054,503</u>	<u>18,289,454</u>
Noncurrent liabilities:		
Compensated absences	4,865,547	4,614,334
Long-term liabilities	38,437,658	39,478,383
Total noncurrent liabilities	<u>43,303,205</u>	<u>44,092,717</u>
Total liabilities	<u>\$63,357,708</u>	<u>\$62,382,171</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$211,239,151	\$205,722,219
Restricted for:		
Nonexpendable:		
Endowments	5,246,550	5,046,242
Other	187,250	187,250
Expendable:		
Loans	7,180,870	7,024,534
Capital projects	7,028,309	7,715,019
Endowments	1,351,084	2,658,775
Other	518,248	73,664
Unrestricted	57,630,425	50,472,057
Total net assets	<u>\$290,381,887</u>	<u>\$278,899,760</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, 2009 and 2008

<b>REVENUES</b>	<b>FY 2009</b>	<b>FY 2008</b>
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$13,756,167 and \$12,990,105, respectively)	\$58,785,256	\$52,715,587
Federal grants and contracts	6,139,942	5,638,855
State and local grants and contracts	21,023,002	19,817,896
Nongovernmental grants and contracts	3,265,903	3,257,678
Sales and services of auxiliary enterprises:		
Housing and dining services (net of scholarship allowances of \$4,108,985 and \$3,880,161, respectively)	10,046,153	9,317,195
Other auxiliary enterprises (net of scholarship allowances of \$871,333 and \$801,069, respectively)	9,189,124	8,864,478
Other operating revenue	1,991,873	1,910,980
Total operating revenue	<u>110,441,253</u>	<u>101,522,669</u>
 <b>EXPENSES</b>		
Operating expenses:		
Salaries and wages	87,555,300	82,782,508
Benefits	24,367,365	24,207,705
Scholarships and fellowships	16,191,638	14,344,600
Utilities	4,715,725	5,232,127
Supplies and materials	32,048,678	34,880,094
Non-capitalized facility improvements (NCFI)	7,331,611	7,370,484
Other	3,740,556	4,704,234
Depreciation	10,373,914	9,636,491
Total operating expenses	<u>186,324,787</u>	<u>183,158,243</u>
Operating loss	(75,883,534)	(81,635,574)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriation – operating	56,196,000	57,997,000
State appropriation – capital for NCFI	7,331,611	7,370,484
Investment income, gains and losses	4,267,560	5,035,449
Interest on capital asset-related debt	(1,801,226)	(1,902,185)
Other non-operating revenue – Pell grant	10,229,557	8,844,398
Net non-operating revenues	<u>76,223,502</u>	<u>77,345,146</u>
Gain before other revenues, expenses, gains or losses	<u>339,968</u>	<u>(4,290,428)</u>
State appropriations – capital	10,941,851	8,564,028
Gifts to permanent endowments	200,308	600,000
Total other revenues and expenses	11,142,159	9,164,028
Increase in net assets	11,482,127	4,873,600
 <b>NET ASSETS</b>		
Net assets, beginning of year	278,899,760	274,026,160
Net assets, end of year	<u>\$290,381,887</u>	<u>\$278,899,760</u>



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



# Statement of Cash Flows

For the Years Ended June 30, 2009 and 2008

14

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	FY 2009	FY 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$57,407,059	\$52,991,480
Grants and contracts	31,205,889	28,729,304
Payments to vendors	(48,438,346)	(54,463,470)
Payments to employees	(108,648,230)	(107,132,917)
Payments for scholarships and fellowships	(16,191,638)	(14,344,600)
Loans issued to students	(622,841)	(767,633)
Collection of student loans	833,441	710,770
Auxiliary enterprise receipts	19,298,113	18,517,076
Other receipts (payments)	1,904,406	1,984,860
Net cash used by operating activities	<u>(63,252,147)</u>	<u>(73,775,130)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations – operating	56,078,073	57,997,000
State appropriations – capital for NCFI	7,331,611	7,370,484
Pell grants	10,229,557	8,844,398
Endowment gifts	200,308	600,000
Stafford/Plus loans receipts	57,769,318	51,043,851
Stafford/Plus loans disbursements	(57,606,497)	(51,081,813)
Agency fund receipts	4,748,106	8,328,490
Agency fund disbursements	(5,110,584)	(8,133,279)
Net cash provided by noncapital financing activities	<u>73,639,892</u>	<u>74,969,131</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital appropriations	9,093,287	7,802,195
Purchases of capital assets	(13,377,351)	(22,177,432)
Principal paid on capital debt and leases	(2,132,391)	(1,593,762)
Interest paid on capital debt and leases	(1,765,462)	(1,841,053)
Net cash provided (used) by capital financing activities	<u>(8,181,917)</u>	<u>(17,810,052)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	22,544,009	22,300,200
Interest on investments	5,515,532	5,201,658
Purchase of investments	(14,222,145)	(22,384,749)
Net cash provided by investing activities	<u>13,837,396</u>	<u>5,117,109</u>
Net increase (decrease) in cash	16,043,224	(11,498,942)
Cash, beginning of year	24,054,161	35,553,103
Cash, end of year	<u>\$40,097,385</u>	<u>\$24,054,161</u>

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

# Statement of Cash Flows *(continued)*

*For the Years Ended June 30, 2009 and 2008*

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

	FY 2009	FY 2008
Operating income (loss)	\$(75,883,534)	\$(81,635,574)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	10,373,914	9,636,492
Changes in assets and liabilities:		
Receivables, net	(1,085,128)	380,852
Inventories	(74,737)	(84,850)
Other assets	(120,063)	123,740
Accounts payable	1,210,123	(2,939,436)
Deferred revenue	121,895	155,693
Deposits held for others	737,806	163,752
Compensated absences	1,168,051	398,860
Loans to students	299,526	25,341
Net cash used by operating activities	<u>\$(63,252,147)</u>	<u>\$(73,775,130)</u>
<b>NONCASH TRANSACTIONS:</b>		
Buildings and equipment	81,786	-
Capital leases	(81,786)	-



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

# Balance Sheets – Component Unit (Foundation) .....

	June 30,	
	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$3,101,801	\$2,378,416
Promises to give, net of allowances and discounts	632,863	616,914
Other assets	740,943	564,815
Contributions receivable from charitable trusts	262,086	724,240
Investments held in charitable trusts	119,467	232,055
Investments	9,992,180	12,263,873
Beneficial interest in perpetual trusts	2,076,621	2,316,750
	<u>\$16,925,961</u>	<u>\$19,097,063</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$526,391	\$105,997
Annuities payable	143,446	233,676
Notes payable	53,510	598,347
Total liabilities	<u>723,347</u>	<u>938,020</u>
<b>NET ASSETS:</b>		
Unrestricted	302,805	(49,925)
Temporarily restricted	1,635,722	4,218,794
Permanently restricted	14,264,087	13,990,174
Total net assets	<u>16,202,614</u>	<u>18,159,043</u>
	<u>\$16,925,961</u>	<u>\$19,097,063</u>



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# Statement of Activities – Component Unit (Foundation)

	Year Ended June 30, 2009				Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND SUPPORT</b>								
Contributions	\$ 119,336	\$ 1,376,555	\$ 308,949	\$ 1,804,840	\$ 94,145	\$ 1,217,415	\$ 927,980	\$ 2,239,540
Contributions from trusts	-	105,543	-	105,543	-	72,762	-	72,762
Investment income, net of fees of \$90,178 and \$70,841, respectively	25,686	329,566	-	355,252	42,409	452,605	-	495,014
Realized gain (loss) on investments	66	(297,113)	-	(297,047)	(23)	675,762	-	675,739
Unrealized gain (loss) on investments	-	(2,215,169)	-	(2,215,169)	(894)	(1,779,064)	-	(1,779,958)
Change in value of split-interest agreements	-	2,138	(186,904)	(184,766)	-	(151,936)	-	(151,936)
Support provided by Eastern Washington University	1,429,873	-	-	1,429,873	1,671,736	-	-	1,671,736
Other	150	281,730	6,971	288,851	606	321,826	27,116	349,548
Net assets released from restrictions and other transfers	2,021,425	(2,166,322)	144,897	-	2,578,664	(2,332,812)	(245,852)	-
<b>Total revenues, gains, and support</b>	<b>3,596,536</b>	<b>(2,583,072)</b>	<b>273,913</b>	<b>1,287,377</b>	<b>4,386,643</b>	<b>(1,523,442)</b>	<b>709,244</b>	<b>3,572,445</b>
<b>EXPENSES</b>								
Management and general	935,971	-	-	935,971	700,520	-	-	700,520
Fund raising	842,816	-	-	842,816	856,381	-	-	856,381
Support provided to/for Eastern Washington University	1,465,019	-	-	1,465,019	2,784,645	-	-	2,784,645
	<u>3,243,806</u>	<u>-</u>	<u>-</u>	<u>3,243,806</u>	<u>4,341,546</u>	<u>-</u>	<u>-</u>	<u>4,341,546</u>
<b>CHANGE IN NET ASSETS</b>	<b>352,730</b>	<b>(2,583,072)</b>	<b>273,913</b>	<b>(1,956,429)</b>	<b>45,097</b>	<b>(1,523,442)</b>	<b>709,244</b>	<b>(769,101)</b>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>(49,925)</b>	<b>4,218,794</b>	<b>13,990,174</b>	<b>18,159,043</b>	<b>(95,022)</b>	<b>5,742,236</b>	<b>13,280,930</b>	<b>18,928,144</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 302,805</b>	<b>\$1,635,722</b>	<b>\$ 14,264,087</b>	<b>\$ 16,202,614</b>	<b>\$ (49,925)</b>	<b>\$ 4,218,794</b>	<b>\$ 13,990,174</b>	<b>\$ 18,159,043</b>

# Notes to Financial Statements – June 30, 2009

## 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, 2009, the Foundation distributed \$35,146 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 Nov. 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 nonprofit 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 2008 amounts in order to conform to 2009 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, 2009 and 2008, insured/collateralized deposits consist of the following:

	Carrying Value June 30, 2009	Carrying Value June 30, 2008
Deposits		
Cash and cash equivalents		
Interest bearing	\$ 39,960,294	\$ 23,908,876
Other	137,091	145,285
Total deposits	\$ 40,097,385	\$ 24,054,161



# Notes to Financial Statements – June 30, 2009

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, 2009, investment maturities are as follows:

	Fair value June 30, 2009	Investment maturities for fixed income securities (in months)			
		0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds					
U.S. Government agency bonds	\$ 11,443,115		\$ 8,040,930	\$ 3,402,185	
U.S. Government treasury notes	4,029,080			4,029,080	
Certificates of deposit	12,807,087	\$ 9,807,087	3,000,000		
Other deposits	29,398				
Investments – Endowment Funds					
Investment unit trusts					
Equity fund	3,567,037				
Bond fund	2,566,632				\$ 2,566,632
<b>Total investments</b>	<b>\$ 34,442,349</b>	<b>\$ 9,807,087</b>	<b>\$ 11,040,930</b>	<b>\$ 7,431,265</b>	<b>\$ 2,566,632</b>

## At June 30, 2008, investment maturities are as follows:

	Fair value June 30, 2008	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					
Investment unit trusts					
Equity fund	4,446,885				
Bond fund	2,867,871				\$ 2,867,871
<b>Total investments</b>	<b>\$ 44,012,185</b>	<b>\$ 6,195,445</b>	<b>\$ 19,554,756</b>	<b>\$ 10,937,228</b>	<b>\$ 2,867,871</b>



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At June 30, 2009 the net appreciation on investments of donor-restricted endowments that is available for expenditure authorization is \$887,119 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 6.8 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.

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, 2009 and 2008 consist of the following:

	June 30, 2009	June 30, 2008
Accounts receivable		
Student tuition and fees	\$ 4,508,118	\$ 2,961,236
Auxiliary enterprises (less allowances of \$264,415 and \$178,084, respectively)	1,500,053	1,152,006
Contracts and grants	3,098,939	3,875,981
State reimbursement	4,707,287	2,740,796
Other (less allowances of \$105,778 and \$108,532, respectively)	528,712	561,471
Total accounts receivable	\$ 14,343,109	\$ 11,291,490
Student loans receivable		
Federal programs (less allowances of \$803,220 and \$601,265, respectively)	\$ 5,536,325	\$ 5,781,595
Institutional loans (less allowances of \$9,915 and \$21,989, respectively)	15,199	69,455
Total student loans receivable	\$ 5,551,524	\$ 5,851,050

### 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, 2009, totals \$3,814,554. This amount represents a liability to the University and is recorded and reported accordingly.

Accumulated sick leave earned and unused at June 30, 2009, calculated at 25 percent of unused balance, totals \$1,050,993. 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, 2009, totals \$4,268. 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 \$2,974,026 at June 30, 2009.

# Notes to Financial Statements – June 30, 2009

## Note 7: Capital Assets

Capital asset activity for the two-year period ended June 30, 2009 is summarized as follows:

	Balance at June 30, 2007			Balance at June 30, 2008			Balance at June 30, 2009
	Balance at June 30, 2007	Additions	Retirements	Balance at June 30, 2008	Additions	Retirements	Balance at June 30, 2009
<b>Non-depreciable Capital Assets</b>							
Land	\$ 2,090,954	\$ -	\$ -	\$ 2,090,954	-	-	\$ 2,090,954
Construction in progress	22,190,365	18,539,718	30,823,570	9,906,513	\$ 11,408,117	\$ 14,565,790	6,748,840
Subtotal	24,281,319	18,539,718	30,823,570	11,997,467	11,408,117	14,565,790	8,839,794
<b>Depreciable Capital Assets</b>							
Land improvements	11,380,291	341,237	-	11,721,528	1,804,717	-	13,526,245
Infrastructure	28,411,864	246,363	-	28,658,227	-	-	28,658,227
Buildings	239,775,044	29,563,961	-	269,339,005	13,558,635	-	282,897,640
Furniture, fixtures and equipment	25,520,520	3,291,239	-	28,811,759	550,401	-	29,362,160
Library materials	26,274,296	1,388,558	-	27,662,854	1,407,181	-	29,070,035
Subtotal	331,362,015	34,831,358	-	366,193,373	17,320,934	-	383,514,307
Total Capital Assets	355,643,334	53,371,076	30,823,570	378,190,840	28,729,051	14,565,790	392,354,101
Less accumulated depreciation:							
Land improvements	3,598,434	311,090	-	3,909,524	322,665	-	4,232,189
Infrastructure	13,499,164	874,360	-	14,373,524	885,652	-	15,259,176
Buildings	73,045,024	4,932,840	-	77,977,864	5,406,149	-	83,384,013
Furniture, fixtures and equipment	16,151,296	2,598,051	-	18,749,347	2,789,672	-	21,539,019
Library materials	15,855,662	920,154	-	16,775,816	969,775	-	17,745,591
Total accumulated depreciation	122,149,580	9,636,495	-	131,786,075	10,373,913	-	142,159,988
Capital assets, net of depreciation	\$ 233,493,754	\$ 43,734,581	\$ 30,823,570	\$ 246,404,765	\$ 18,355,138	\$ 14,565,790	\$ 250,194,113



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## Note 8: Long-term Liabilities

Long-term liability activity for the two-year period ended June 30, 2009 is summarized as follows:

	Balance at June 30, 2007			Balance at June 30, 2008		Current Portion 2008
	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Current Portion 2008	
<b>Leases and bonds payable:</b>						
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	
<b>Other liabilities:</b>						
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	
<i>Continued from above:</i>						
	Balance at June 30, 2008			Balance at June 30, 2009		Current Portion 2009
	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	Current Portion 2009	
<b>Leases and bonds payable:</b>						
Lease obligations (Note 9)	\$ 4,745,141	\$ 81,786	\$ 513,101	\$ 4,313,826	\$ 535,148	
General obligation bonds	512,649	-	309,290	203,359	129,040	
Revenue bonds payable (Note 10)	35,815,000	-	1,310,000	34,505,000	1,365,000	
Total leases and bonds payable	41,072,790	81,786	2,132,391	39,022,185	2,029,188	
<b>Other liabilities:</b>						
Net pension obligation (Note 12)	528,365	916,296	-	1,444,661	-	
Compensated absences (Note 5)	4,618,060	4,704,357	4,452,602	4,869,815	4,268	
Total long-term liabilities	\$ 46,219,215	\$ 5,702,439	\$ 6,584,993	\$ 45,336,661	\$ 2,033,456	

### 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 2010 through 2014. Total operating lease expenses in fiscal year 2009 were \$703,954.

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, 2009, are as follows:

Fiscal Year Annual Payment	Operating	Capital
2010	\$530,982	\$766,839
2011	324,718	602,731
2012	256,915	567,138
2013	165,470	458,272
2014	113,973	385,000
2015-19	-	1,925,000
2020-24	-	1,202,627
Obligation under leases	\$1,392,058	5,907,607
Less: Amount representing interest costs		(1,593,781)
Present value of minimum obligation under capital leases		\$4,313,826

### 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.

	Interest Rate	Maturity Date	Original Balance	Balance Outstanding
Eastern Washington University				
Housing and Dining System Revenue/Refunding Bonds, Series 2002	2.50% - 3.80%	2009-2013	\$ 4,515,000	\$ 2,010,000
Service and Activities Revenue Bonds, Series 2006	4.00% - 5.00%	2009-2038	28,090,000	27,615,000
Service and Activities Refunding Bonds, Series 2006	4.00% - 4.00%	2009-2019	5,625,000	4,880,000
<b>Total Revenue Bonds</b>			<b>38,230,000</b>	<b>34,505,000</b>
State of Washington General Obligation Bonds				
Refunding Bonds, Series R-93A	3.90% - 5.75%	2009-2011	708,756	145,358
Refunding Bonds, Series R-01A	4.50% - 9.00%	2009-2010	1,561,932	58,001
<b>Total General Obligation Bonds</b>			<b>2,270,688</b>	<b>203,359</b>
<b>Total bonds payable</b>			<b>\$ 40,500,688</b>	<b>\$ 34,708,359</b>

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
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	1,065,000	1,218,718	-	-	1,065,000	1,218,718
2015-2019	6,040,000	5,403,088	-	-	6,040,000	5,403,088
2020-2024	4,065,000	4,384,947	-	-	4,065,000	4,384,947
2025-2029	5,010,000	3,459,725	-	-	5,010,000	3,459,725
2030-2034	6,215,000	2,272,431	-	-	6,215,000	2,272,431
2035-2038	6,280,000	646,750	-	-	6,280,000	646,750
<b>Totals</b>	<b>\$ 34,505,000</b>	<b>\$ 22,812,994</b>	<b>\$ 203,359</b>	<b>\$ 10,048</b>	<b>\$ 34,708,359</b>	<b>\$ 22,823,042</b>



# Notes to Financial Statements – June 30, 2009

## 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:

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	2,635,595	535,042	2,162,865	H&D Revenue & Refunding Bonds – Series 2002	Refund outstanding debt on H&D Bonds of 1992	2013
S&A fee revenue and earnings on invested fees	645,829	582,800	5,928,000	Service & Activities Fee Refunding Bonds – Series 2006	Refund outstanding debt on S&A Revenue Bonds of 1993	2019
S&A fee revenue and earnings on invested fees	1,997,913	1,682,117	49,227,129	Service & Activities Fee Revenue Bonds – Series 2006	Construction of a new student recreation center	2038

24

## 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, 2009, was \$87,555,300. The payroll for employees covered by PERS was \$25,940,135; payroll for employees covered by TRS was \$178,938; payroll for employees covered by LEOFF was \$551,565; and payroll for employees covered by the Eastern Washington University Retirement Plan was \$47,963,908.

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, 2009 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, 2009		Required Employer Contributions		
	Employee	University	FY 2007	FY 2008	FY 2009
<b>PERS</b>					
Plan I	6.00%	8.31%	\$ 99,274	\$ 125,691	\$ 146,543
Plan II	5.45%	8.31%	734,825	1,177,282	1,709,532
Plan III	Varies	8.31%*	123,872	210,090	300,498
<b>TRS</b>					
Plan I	6.00%	8.46%	\$ 8,873	\$ 8,717	\$ 6,349
Plan II	4.26%	8.46%	4,686	5,470	8,231
<b>LEOFF</b>					
Plan II	8.83%	8.99%	\$ 38,803	\$ 52,794	\$ 49,604

\*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 benefit provision for the year ended June 30, 2009.

**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, 2009, total \$4,070,563.

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, 2009. 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 2007. 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, 2009 was \$6,023,000 under the plan's entry age normal method and is amortized over a 14.5 year period. The annual required contribution (ARC) is projected at \$1,055,000. 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 following table reflects net pension obligation activity for the fiscal years ended June 30, 2009, 2008 and 2007, respectively.

Net Pension Obligation	FY 2009	FY 2008	FY 2007
Balance as of July 1	\$ 528,365	\$ 314,592	\$ 113,485
Add: Annual Required Contribution	1,055,000	365,000	365,000
Less: Payments to beneficiaries	138,703	151,227	163,893
Balance as of June 30	\$ 1,444,662	\$ 528,365	\$ 314,592

### 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, PO Box 43113, Olympia, Washington 98504-3113.

The University funds OPEB obligations on a pay-as-you-go basis. Funding status through the fiscal years ended June 30, 2009 and 2008 follows:

Net OPEB Obligation	FY 2009	FY2008
Balance as of July 1	\$ 3,064,000	\$ -
Add: Estimated annual OPEB expenses	3,637,000	3,556,000
Less: Estimated contributions	547,000	492,000
Balance as of June 30	\$ 6,154,000	\$ 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, 2009 and 2008 follows:

	Housing and Dining System Refunding Revenue Bonds Series 2002		Associated Student Activities Revenue and Refunding Bonds Series 2006	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<b>Assets</b>				
Current assets	\$5,751,267	\$4,882,781	\$2,696,643	\$1,994,268
Non-current assets	21,363,998	22,554,083	37,635,860	38,091,290
Total assets	27,115,265	27,436,864	40,332,503	40,085,558
<b>Liabilities</b>				
Current liabilities	1,777,011	1,694,965	1,305,686	1,292,233
Non-current liabilities	5,556,368	6,351,581	31,814,519	32,711,137
Total liabilities	7,333,379	8,046,546	33,120,205	34,003,370
<b>Net assets</b>				
Invested in capital assets, net of related debt	14,100,515	14,267,377	4,445,734	3,894,538
Restricted	187,250	187,250	-	-
Unrestricted	5,494,121	4,935,691	2,766,563	2,187,650
Total net assets	\$19,781,886	\$19,390,318	\$7,212,297	\$6,082,188



# Notes to Financial Statements – June 30, 2009

26

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Housing and Dining System Refunding Revenue Bonds Series 2002      Associated Student Activities Revenue and Refunding Bonds Series 2006

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

	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Operating revenues	\$14,684,992	\$13,797,661	\$4,767,440	\$3,289,221
Operating expenses	14,133,449	13,583,208	2,937,341	2,693,697
Net operating income	551,543	214,453	1,830,099	595,524
Non-operating revenues (expenses)	(159,975)	(132,219)	(1,346,828)	(1,156,297)
Transfers	-	-	646,838	216,565
Change in net assets	391,568	82,234	1,130,109	(344,208)
Net assets, beginning of year	19,390,318	19,308,084	6,082,188	6,426,396
Net assets, end of year	\$19,781,886	\$19,390,318	\$7,212,297	\$6,082,188

## CONDENSED STATEMENT OF CASH FLOWS

Net cash flows provided by operating activities	\$1,627,809	\$1,532,926	\$2,532,740	\$979,721
Net cash flows provided (used) by non-capital and related financing activities	-	-	90,000	90,000
Net cash flows used by capital and related financing activities	(1,229,637)	(1,113,901)	(2,210,565)	(13,721,364)
Net cash flows provided by investing activities	623,738	(24,360)	245,630	10,334
Net increase (decrease) in cash	1,021,910	394,665	657,805	(12,641,309)
Cash—beginning of year	2,539,120	2,144,455	1,109,510	13,750,819
Cash—end of year	\$3,561,030	\$2,539,120	\$1,767,315	\$1,109,510

## 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 an 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, 2009 totals \$6,420,257 for various goods and services.

## Note 15: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2009 and 2008 are summarized as follows:

Operating Expenses	FY 2009	FY 2008
Educational and general		
Instruction	\$61,861,740	\$60,975,346
Research	1,203,962	1,482,910
Public service	5,643,442	5,661,786
Academic support	13,415,079	11,513,834
Student services	14,196,242	13,811,038
Institutional support	14,948,979	16,907,847
Operation and maintenance of plant	24,104,328	25,051,254
Scholarships and fellowships	13,779,381	11,876,422
Auxiliary enterprises	26,797,720	26,241,315
Depreciation	10,373,914	9,636,491
Total operating expenses	\$186,324,787	\$183,158,243

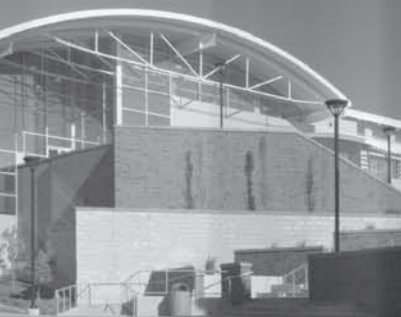


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**Statistical Section**

Five-Year Historical Review ..... 28





# Five-year Historical Review-*unaudited*

Years Ended June 30 (in thousands)

	2009	2008	2007	2006	2005
<b>REVENUES</b>					
Tuition and fees (net of allowance)	\$58,785	\$52,716	\$52,178	\$49,331	\$45,196
Gifts, grants and contracts	30,429	28,714	30,596	27,230	26,194
Auxiliary enterprises (net of allowance)	19,235	18,181	19,026	18,261	17,898
Other sources	1,992	1,911	942	857	884
Total operating revenues	110,441	101,522	102,742	95,679	90,172
<b>EXPENSES</b>					
Instruction	61,863	60,975	61,052	56,285	52,521
Research	1,204	1,483	2,134	2,044	1,580
Public service	5,643	5,662	3,322	3,390	2,484
Academic support (including libraries)	13,415	11,514	10,253	8,864	8,195
Student services	14,196	13,811	12,760	11,254	10,593
Institutional support	14,949	16,908	13,850	12,238	11,261
Plant operation and maintenance	24,104	25,051	16,715	15,467	14,474
Scholarships and fellowships	13,779	11,876	11,673	11,597	11,195
Auxiliary enterprises	26,797	26,241	25,445	24,541	23,531
Depreciation	10,375	9,637	9,275	7,623	7,386
Total operating expenses	186,325	183,158	166,479	153,303	143,220
Operating loss	(75,884)	(81,636)	(63,737)	(57,624)	(53,048)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
State appropriations - operating	56,196	57,997	51,547	48,424	43,188
State appropriations - capital for NCFI	7,332	7,371	2,310	1,512	2,228
Investment Income, gains and losses	4,267	5,035	7,493	4,625	3,943
Interest on capital asset-related debt	(1,801)	(1,902)	(1,579)	(796)	(853)
Other non-operating revenue	10,230	8,844	8,540	8,423	8,801
Total non-operating revenues	76,224	77,345	68,311	62,188	57,307
Income before capital contributions and additions to endowments	340	(4,290)	4,574	4,564	4,259
Capital appropriations	10,942	8,564	13,143	15,088	18,712
Additions to permanent endowments	200	600	101	610	200
Total other	11,142	9,164	13,244	15,698	18,912
Increase in net assets	\$11,482	\$4,874	\$17,818	\$20,262	\$23,171
<b>CAPITAL ASSETS</b>					
Land	\$2,091	\$2,091	\$2,091	\$2,091	\$2,091
Buildings	282,898	269,339	239,775	231,811	194,367
Land improvements/infrastructure	42,184	40,380	39,792	37,311	33,240
Equipment	29,362	28,812	25,521	21,540	19,732
Library resources	29,070	27,663	26,274	24,914	23,682
Construction in progress	6,749	9,906	22,190	3,284	28,483
Accumulated depreciation	(142,160)	(131,786)	(122,150)	(113,303)	(106,370)
Total capital assets, net	\$250,194	\$246,405	\$233,493	\$207,648	\$195,225
<b>ENROLLMENTS (head count, state funded only)</b>					
Fall quarter	9,897	9,841	10,005	9,868	9,775
Academic year average	9,541	9,451	9,531	9,479	9,317
<b>TUITION AND FEES (per academic year, in dollars)</b>					
Undergraduate - resident	\$4,701	\$4,485	\$4,278	\$4,044	\$3,822
Undergraduate - nonresident	13,368	13,350	13,335	13,317	13,299
Graduate - resident	6,795	6,480	6,465	6,108	5,772
Graduate - nonresident	17,148	17,133	17,118	17,100	17,085

28

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