



EASTERN
WASHINGTON UNIVERSITY

start something **big**

2012 FINANCIAL REPORT

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Letter from the President



Presenting the annual financial statements is a responsibility Eastern Washington University takes seriously, and as President, I feel equally obligated to ensuring the university has been an excellent steward of our finances – especially during these lean budget years. Even though there is still a tough road ahead, I am proud to say Eastern is emerging from the economic downturn on solid footing.

We have met the incredible challenges of the last few years through prudent planning, strategic investment in key programs and hard work by all of our faculty and staff.

With record enrollment still soaring over 12,000, we are seizing this great opportunity by making sure each student has the tools to flourish. Through our new strategic plan, EWU has refined its long-standing commitment to students by providing more access. Our resources are focused on improving retention and graduation rates, increased utilization of student support services and building a campus culture where everyone is dedicated to student success. This means we are always exploring ways to be innovative, increase our community outreach and raise our visibility in the region.

At the same time, there are many noticeable signs of how the Eastern campus is developing to meet the growing demand for education in our region. Renovation on the main academic building, Patterson Hall, is well past the half-way point and should be finished in early 2014. Also under construction on campus is a five-story, state-of-the-art residence hall that will be ready for students in the fall.

These are all exciting developments that reflect Eastern's ongoing mission of providing a quality, affordable education as state funding continues to erode. While we continue to work with lawmakers to hopefully restore some of that funding and limit tuition increases, we must continue to strive for fiscal sustainability with what resources we do have so future generations of students will also succeed.

This publication will give you a comprehensive picture of how Eastern Washington University is managing its financial resources. All of our budget decisions will continue to incorporate ideas from the campus community, students and members of the Board of Trustees so that Eastern maintains its academic excellence at an affordable cost.

Sincerely,

A handwritten signature in black ink that reads "Rodolfo Arévalo". The signature is fluid and cursive, written in a professional style.

Rodolfo Arévalo, PhD
EWU President

Board of Trustees (As of 6/30/12)

Bertha Ortega (Chair)
Paul Tanaka (Vice Chair)
Jo Ann Kauffman
Mark Mays
Kris Mikkelsen
Robert H. Whaley
Ines Zozaya-Geist
Patrick Spanner (Student Trustee)

Administration (As of 6/30/12)

President
Rodolfo Arévalo
Vice President for Academic Affairs
and Provost
Rex Fuller
Vice President for
University Advancement
Mike Westfall
Vice President for Business and Finance
Mary Voves
Vice President for Student Affairs
Stacey Morgan-Foster

University Deans (As of 6/30/12)

College of Arts, Letters and Education
Lynn Briggs
College of Business and
Public Administration
Martine Duchatelet
College of Science, Health and
Engineering
Judd Case
College of Social and Behavioral Sciences
and Social Work
Vickie Rutledge Shields
Libraries
Theophil Otto (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.



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

March 7, 2013

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, 2012 and 2011, 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, 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, 2012 and 2011, 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 reports 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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information identified in the table of contents as the Introductory Section 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 do not express an opinion or provide any assurance on it.

Sincerely,

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

TROY KELLEY
STATE AUDITOR

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, 2012, with comparative 2011 and 2010 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 12,000 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 10,800 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, our university center at Bellevue College offers upper division courses for selected 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.

Reclassifications

Certain reclassifications not affecting total net assets have been made to 2010 and 2011 amounts in order to conform to 2012 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 lenders. A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2012, 2011 and 2010, is shown below.

Current assets consist primarily of cash, short term investments, accounts receivables and inventories. The change in

current and non-current assets is mainly from reallocations between cash and short- and long-term investments and unspent bond proceeds resulting from newly issued debt.

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.

Liquidity is an important indicator of financial stability which can be measured by the number of days an institution is able to operate using unrestricted cash and investments that can be liquidated and spent within one year. Between 2010 and 2011 the university increased its ability to cover operating costs from 190 days to 196 days and extended that margin in 2012 partly due to unspent bond proceeds from recently issued debt. Within the industry, it is generally considered prudent to maintain reserves to cover operating expenses for at least 60 to 90 days.

Net assets, the difference between assets and liabilities, are a broad 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

Condensed Statement of Net Assets

As of June 30 (in thousands)

	2012	2011	2010
Assets			
Current assets	\$ 85,418	\$ 59,719	\$ 62,002
Capital assets, net of depreciation	265,952	255,452	251,853
Other non-current assets	62,498	56,092	45,674
Total Assets	413,868	371,263	359,529
Liabilities			
Current liabilities	17,059	16,308	15,377
Non-current liabilities	66,447	42,525	43,308
Total Liabilities	83,506	58,833	58,685
Net Assets	\$ 330,362	\$ 312,430	\$ 300,844

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, capital project funds, and the spendable portion of endowments. Balances fluctuate with the timing of capital project expenditures, contributions to permanent endowments, and other conditions.

Unrestricted – These are all other funds available to the University for the general and educational obligations to meet current expenses for any purpose. 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.

Total net assets grew by \$7.3 million in 2010 as the University invested in capital assets and reduced costs to help weather the continuing effects of the prolonged economic downturn that began in late 2007. Net assets increased another \$11.6 million in 2011 driven by higher revenues and cost containment measures. Factors that contributed to the 2011 net increase stem from enrollment growth, student fee rate increases, investments in capital assets (plant), and a slowdown in budgeted spending. These factors continued to contribute to the increase in net assets in 2012. In addition, unspent bond proceeds of \$22.5 million contributed to increase in

expendable net assets. On February 15, 2010, Governor Gregoire issued an executive order to curtail spending for all state agencies effective March 17, 2010 through June 30, 2011. Specifically, these restrictions were aimed to cut costs through a statewide hiring freeze, restrictions on travel, additional scrutiny of equipment purchases, and limitations on certain types of contracts with some exceptions within each category. A statewide freeze on wage increases continues through June 30, 2013. Six months prior to the governor's executive order, University leadership had instituted a hiring and spending slowdown. These actions better managed the effects of downsizing before the ensuing budget cuts forced far more drastic or sudden reductions.

Condensed Net Assets

As of June 30 (in thousands)

	2012	2011	2010
Invested in capital assets, net of related debt	\$ 230,839	\$ 220,602	\$ 215,138
Restricted:			
Non-expendable	5,599	5,701	5,524
Expendable	16,717	16,339	16,656
Unrestricted	77,207	69,788	63,526
Total net assets	\$ 330,362	\$ 312,430	\$ 300,844

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 current GASB reporting guidelines, state appropriations are classified as non-operating revenues though such funding is used to cover operating expenses. To better assess the University's financial health, include

all revenue types/sources and focus on the increase (or decrease) in net assets. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30 is shown below.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30 (in thousands)

	2012	2011	2010
Operating revenue	\$ 129,990	\$ 122,041	\$ 112,602
Operating expenses	181,396	187,194	179,917
Net operating loss	(51,406)	(65,153)	(67,315)
Non-operating revenues	57,315	68,378	67,996
Non-operating expenses	1,568	1,634	1,717
Income/(loss) before other revenues	4,341	1,591	(1,036)
Other revenues and expenses	13,591	9,995	8,377
Increase in net assets	17,932	11,586	7,341
Net assets, beginning of year	312,430	300,844	293,503
Net assets, end of year	\$ 330,362	\$ 312,430	\$ 300,844

Management's Discussion and Analysis

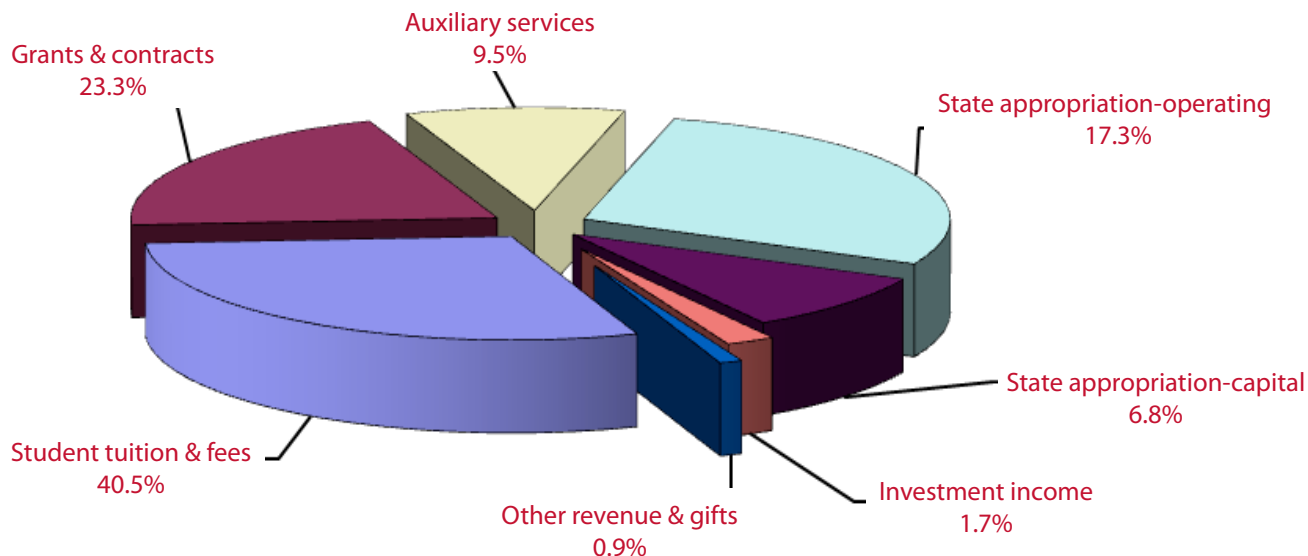
Operating and Non-operating Revenues

Operating revenues consist primarily of tuition and fees, sponsored program revenue (i.e., grants and contracts), and sales and services revenue generated by auxiliary enterprises and other support operations. Non-operating revenues

consist primarily of state appropriations, investment income and Pell grants for student financial aid. 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, 2012. The ensuing table contains a comparison of revenues for fiscal years ended 2012, 2011 and 2010.

FY 2012 Revenues by Source



**Revenues by Source (in thousands)
For the year ending June 30**

	2012			2011			2010		
Student tuition & fees	\$	81,428	40.5%	\$	71,714	35.8%	\$	62,929	33.3%
Grants & contracts		46,747	23.3%		47,676	23.8%		44,471	23.5%
Auxiliary services		19,106	9.5%		18,800	9.4%		18,205	9.6%
State appropriation-operating		34,830	17.3%		44,009	22.0%		48,869	25.9%
State appropriation-capital		13,561	6.8%		9,967	5.0%		8,349	4.4%
Investment income		3,435	1.7%		5,581	2.8%		4,279	2.3%
Other revenue & gifts		1,788	0.9%		2,667	1.2%		1,873	1.0%
Total	\$	200,895	100.0%	\$	200,414	100.0%	\$	188,975	100.0%

Tuition and fees and state operating appropriations are the primary sources of funding for the University's academic programs. The decrease in state operating appropriations reflects reduced state funding for higher education which is provided through the legislative process. In fiscal year 2010, state operating appropriations were supplanted by \$5.522 million in one-time federal funding from the American Recovery and Reinvestment Act. The continuing decline in state revenues for operations is a major concern. From the 2007-09 biennium to

the 2011-13 biennium, Eastern Washington University's biennial state appropriations have decreased approximately 40 percent. The University increasingly looks to tuition and other student fees to help offset the reduction of state operating appropriations and continue growing and transforming the University.

The increase in revenues from student tuition is the result of rate increases, enrollment growth and planned use of scholarship allowances. The amount of tuition increases is controlled largely by

legislative authority. Recognizing the fiscal realities resulting from continued state funding cuts, in 2010 the University was given authority to increase resident undergraduate tuition by 14 percent and other categories as deemed necessary. To help offset the decrease in state operating appropriations, the University raised student tuition rates for selected fee categories. Greater flexibility in tuition rate setting is reflected in ensuing years (as shown below) although rate increases are still capped through legislative action.

Full-Time Quarterly Tuition and S&A Fee Rates (10 through 18 credits) with Percentage Increase over Prior Year

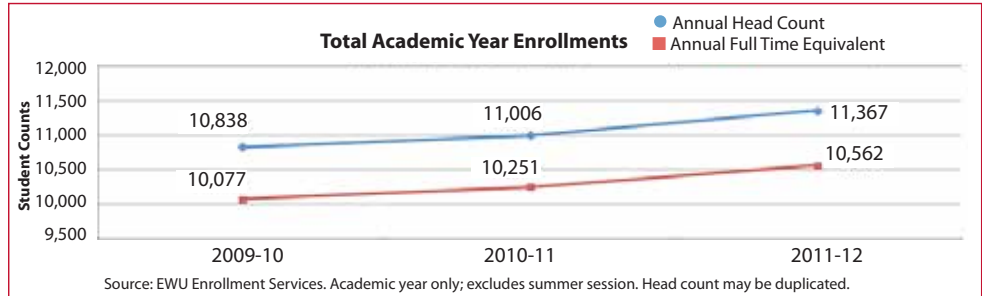
Academic Year	Resident Undergraduate	Increase over Prior Year	Resident Graduate	Increase over Prior Year	Nonresident Undergraduate	Increase over Prior Year	Nonresident Graduate	Increase over Prior Year
2011-12	2,230	11%	2,977	9%	5,456	11%	6,877	9%
2010-11	2,021	14%	2,740	10%	4,927	5%	6,318	5%
2009-10	1,780	14%	2,492	10%	4,686	5%	6,010	5%

In combination with significant reductions in operating costs in 2010, the University also increased self support fees (e.g., summer tuition), special lab and course fees, counseling fees, and administrative fees. With the decrease in state support, dependency on tuition and fee revenues grows greater for covering the cost of providing educational and related support services.

Managing enrollment growth during periods of economic downturn continues to be a challenge for the University. State

operating appropriations are falling while student enrollment has grown. The challenge is to cultivate sustainable growth while continuing to provide

affordable learning opportunities. Maintaining the institution's fiscal health is the cornerstone for meeting this challenge.



Financial Indicator	Definition	Calculation	FY10	FY11	FY12
Tuition dependency ratio (%)	Helps measure sensitivity to changes in enrollment levels	Net tuition and fees plus governmental grants to the institution for student tuition divided by the sum of operating and non-operating revenues	51.1	54.7	61.9
Unrestricted financial resources-to-operations (x)	Measures coverage of annual operations by the most liquid resources	Unrestricted net assets divided by total operating expenses	.39	.41	.47
Annual days cash on hand	Measures the number of days an institution is able to operate (cover its cash operating expenses)	Annual liquidity times 365 divided by total expenses less depreciation and unusually large non-cash expenses	190	196	222
Current ratio ¹	Measures liquidity –ability to meet current obligations with liquid assets	Current assets divided by current liabilities	4.03	3.66	5.01

To assess progress the University monitors a variety of financial indicators that focus on enrollment in connection with tuition rates, state funding levels, and the related financial impact on students and their families.

These financial indicators are useful for institutional trend analysis and become more meaningful when compared to peer institutions (not included here) such as those with the same debt rating, similar student population and degree

offerings, or to industry norms. Within that context, the University appears to be relatively well positioned to weather the current economic environment and make investments for the future. Factors that could affect these financial indicators are student enrollment levels, tuition pricing inelasticity, issuance of new revenue debt, funding levels for state and federal financial aid, state appropriations, and the economy as a whole.

University programming support also consists of revenues received from

governmental and private sources in the form of grants and contracts. The mix between federal, state and private sources fluctuates from year to year but overall funding has remained at roughly 23 percent of total revenues for each of the three years ended 2012. Grants are generally managed on a reimbursement basis in that revenues are drawn to cover expenses incurred and thus have minimal effect on net income other than partial recovery of indirect costs.

(Footnote)

1. The current ratio decreased between FY2009-11 primarily due to reallocation of the University investment portfolio from short to long term. The FY12 current ratio increased due to Series 2012 unspent bond proceeds (otherwise the ratio would have been 3.69).

Management's Discussion and Analysis

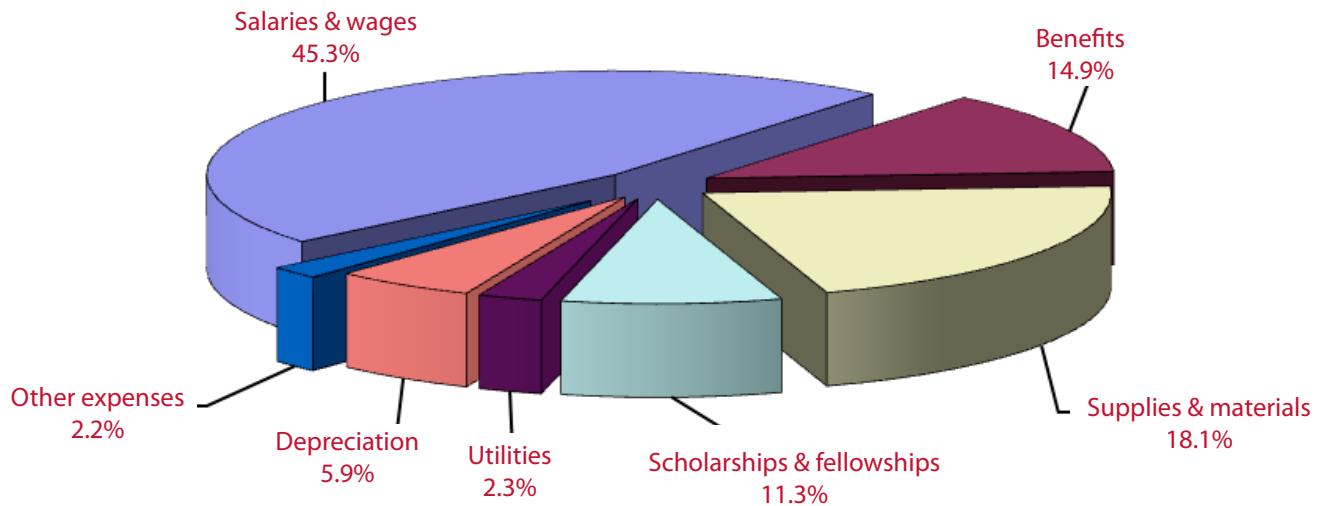
Operating Expenses

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, 2012. The ensuing table contains a comparison of expenses for fiscal years ending June 30, 2012, 2011 and 2010.

FY 2012 Operating Expenses by Object



Operating Expenses by Type (in thousands)
For the year ending June 30

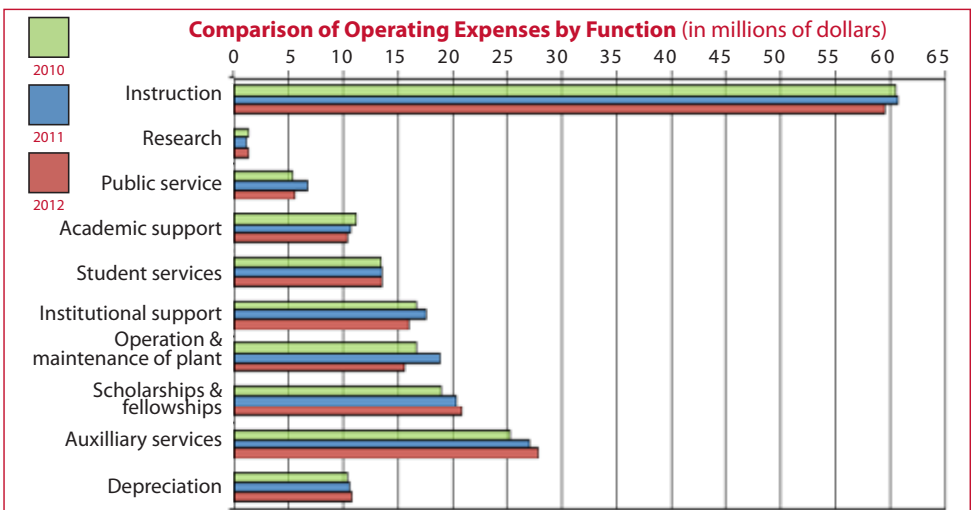
	2012		2011		2010	
Salaries & wages	\$ 82,225	45.3%	\$ 83,567	44.6%	\$ 83,985	46.7%
Benefits	26,987	14.9%	26,855	14.3%	25,353	14.1%
Supplies & materials	32,860	18.1%	37,507	20.0%	34,275	19.1%
Scholarships & fellowships	20,493	11.3%	19,834	10.6%	18,109	10.1%
Utilities	4,150	2.3%	4,472	2.4%	4,439	2.5%
Depreciation	10,701	5.9%	10,557	5.6%	10,434	5.8%
Other expenses	3,979	2.2%	4,402	2.5%	3,322	1.7%
Total	\$ 181,395	100.0%	\$ 187,194	100.0%	\$ 179,917	100.0%

Salaries, wages and benefits are the major support cost for the University's programs. The University reduced its workforce in 2010 saving nearly \$3.6 million in ongoing costs. Health care costs rose by more than \$2.3 million in 2010 and contributed \$1.3 million to the \$1.5 million overall increase for benefits in 2011. In 2012 the amount of project expenses not capitalized were less than 2011 and contributed to the reduction in supplies and materials. An alternative view of operating expenses is by functional (programmatic) classification as shown below for the years ended June 30, 2012, 2011 and 2010.

Instructional expenses by far comprise the largest single category of operating costs. Fluctuations in expenses for operation and maintenance of plant are largely impacted

by non-capitalized facility improvements associated with project expenses that are not capitalized to an asset. The amount varies by year depending on several factors including the types and timing of

projects undertaken. The rise in auxiliary services costs reflects the greater demand in support services necessary to meet the growing student population.



Capital Asset and Debt Activities

The University continues to increase the investment in capital assets which consist of land, buildings, infrastructure and equipment (Note 7). The University's Comprehensive Facilities 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 of state assets. The chart below shows the progression of increasing investment in capital assets and the associated debt load

used to help finance the construction of those assets.

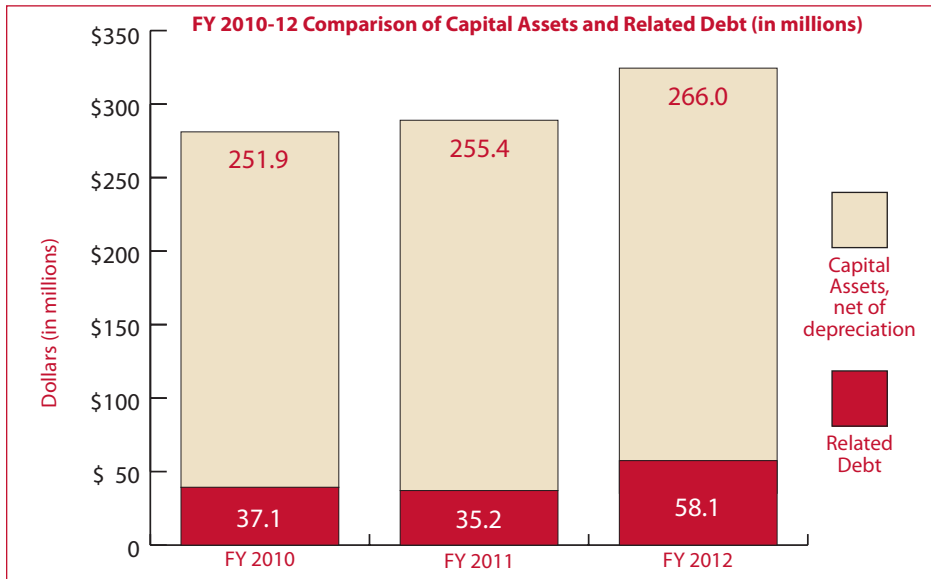
While several minor improvement projects took place during this time, two major projects comprise most of the increase in capital assets. Work continues on the estimated \$60.7 million Patterson Hall renovation and expansion project with cumulative expenditures of \$13.6 million through FY11 growing to \$23.6 million by the end of FY12. Patterson Hall is the University's largest academic building with 40 general use classrooms and two

computer labs. Funded by the state capital budget, the project renovates the existing 102,347 square foot building and provides an additional 33,196 square feet of space. Completion is expected in early 2014.

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. Eastern may also use operating revenue and long-term debt to fund capital assets. In FY 2010, the University initiated a plan to invest in the campus residential facilities. Construction is currently underway for a new 350-bed residence hall on campus land. In April 2012 the University issued \$25.3 million in new revenue bonds to finance the project (see Note 10 for additional information).

In March 2012 Moody's Investors Service (a bond rating agency) assigned an A1 rating to the Series 2012 Housing and Dining System Revenue Bonds and affirmed the A1 rating on the outstanding 2006 Services and Activities Fee Revenue Bonds. The outlook is stable and debt service coverage remains healthy.

Additional information concerning capital asset and debt activity is provided in the footnotes (see Note 7 through 11).



Financial Indicator	Definition	Calculation	FY 2010	FY 2011	FY 2012
Expendable financial resources to direct debt (x)	Measures coverage of direct debt by financial resources that are ultimately expendable	Expendable financial resources divided by direct debt	2.25	2.60	1.71
Financial debt burden ratio (%)	Examines dependence on borrowed funds as a source of financing the mission and the relative cost of borrowing to overall expenditures	Principal and interest on capital debt and leases divided by operating and non-operating expenses less depreciation plus principal paid on capital debt and leases	2.15	1.95	2.33
Debt service coverage (x)	Measures actual margin of protection for annual debt service payments from annual operations (the industry ceiling is 7.0)	Annual operating surplus (deficit) plus interest and depreciation expenses plus additional, unusually large non-cash expenses, divided by actual principal and interest payments	2.98	3.91	4.09

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

In 2012 the University's overall financial position remained stable and slightly improved as a whole. Net assets increased by \$17.9 million or 5.7 percent on revenues of \$200.9 million and expenses totaling \$183.0 million. However, funding for higher education in the state of Washington continues to be under pressure with declining state funding and increasing enrollment demand. In FY12, the state appropriation for operating costs dropped by \$9.2 million or 21 percent from the prior

year. This reduction was partially offset by higher tuition and fee rates which are controlled through state legislation. Rising student enrollment further helped offset the loss in state funding but also increased demand for student support services. 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 that impact service delivery of educational opportunities at Eastern

Washington University. New investments in student residential housing and renovations to classrooms and other facilities are aimed at serving the growing student population. Together with comprehensive financial management, investments in technology, and a focus on student support services, the strategic plan guides the University toward its goal of serving the region, preparing students for leadership roles, and contributing to a strong workforce while maintaining value and providing assistance for first-generation students, underrepresented groups, and others in financial need.

Statements of Net Assets

June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$47,771,095	\$30,304,776
Short-term investments	18,163,189	12,897,575
Deposit with State of Washington	5,681,074	4,664,418
Accounts receivable (net of allowances of \$385,750 and 439,056, respectively)	11,307,682	9,889,243
Student loans receivable (net of allowances of \$7,745 and \$6,155, respectively)	153,377	156,344
Inventories	1,398,124	1,345,449
Other assets	943,639	461,471
Total current assets	<u>85,418,180</u>	<u>59,719,276</u>
Noncurrent assets:		
Endowment investments	7,677,507	7,882,822
Other long-term investments	49,345,784	42,785,545
Student loans receivable (less allowances of \$793,986 and \$749,693, respectively)	4,860,896	5,085,193
Other noncurrent assets	613,385	337,993
Capital assets, net of accumulated depreciation	265,951,678	255,452,284
Total noncurrent assets	<u>328,449,250</u>	<u>311,543,837</u>
Total assets	<u>\$413,867,430</u>	<u>\$371,263,113</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$6,483,146	\$5,148,428
Accrued liabilities	3,025,850	3,377,823
Compensated absences	751	3,289
Deposits or funds held for others	702,799	921,459
Deferred and unearned revenue	5,479,992	4,931,348
Long-term liabilities, current portion	1,366,255	1,925,333
Total current liabilities	<u>17,058,793</u>	<u>16,307,680</u>
Noncurrent liabilities:		
Compensated absences	5,630,487	5,933,552
Long-term liabilities	60,816,620	36,591,923
Total noncurrent liabilities	<u>66,447,107</u>	<u>42,525,475</u>
Total liabilities	<u>\$83,505,900</u>	<u>\$58,833,155</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$230,838,591	\$220,602,473
Restricted for:		
Nonexpendable:		
Endowments	5,331,195	5,301,714
Charitable gift annuities	267,940	212,293
Other	-	187,250
Expendable:		
Loans	8,319,916	7,867,373
Capital projects	5,237,129	5,073,208
Endowments and other	3,160,071	3,398,332
Unrestricted	77,206,688	69,787,315
Total net assets	<u>\$330,361,530</u>	<u>\$312,429,958</u>

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

Statements of Revenue, Expenses and Changes in Net Assets

For the Years Ended June 30, 2012 and 2011

REVENUES	<u>FY 2012</u>	<u>FY 2011</u>
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$22,953,100 and \$20,656,832, respectively)	\$81,427,807	\$71,713,690
Federal grants and contracts	5,474,488	6,913,458
State and local grants and contracts	19,534,889	19,885,110
Nongovernmental grants and contracts	2,688,546	2,889,378
Sales and services of auxiliary enterprises		
Housing and dining services (net of scholarship allowances of \$5,127,521 and \$4,927,552, respectively)	10,249,340	9,956,047
Other auxiliary enterprises (net of scholarship allowances of \$1,204,441 and \$1,121,852, respectively)	8,856,252	8,843,584
Other operating revenue	1,758,276	1,840,135
Total operating revenue	<u>129,989,598</u>	<u>122,041,402</u>
 EXPENSES		
Operating expenses:		
Salaries and wages	82,224,769	83,567,192
Benefits	26,986,764	26,855,198
Scholarships and fellowships	20,493,131	19,833,395
Utilities	4,150,414	4,472,062
Supplies and materials	32,149,624	35,501,253
Non-capitalized facility improvements (NCFI)	710,925	2,005,796
Other	3,978,616	4,401,857
Depreciation	10,700,989	10,557,081
Total operating expenses	<u>181,395,232</u>	<u>187,193,834</u>
 Operating loss	(51,405,634)	(65,152,432)
 NON-OPERATING REVENUES (EXPENSES)		
State appropriations	34,830,415	44,008,542
Investment income, gains and losses	3,435,075	5,581,226
Interest on capital asset-related debt	(1,567,865)	(1,633,882)
Gifts	-	799,431
Pell grant revenue	19,048,947	17,988,318
Net non-operating revenues	<u>55,746,572</u>	<u>66,743,635</u>
Gain before other revenues, expenses, gains or losses	<u>4,340,938</u>	<u>1,591,203</u>
 State appropriations - capital	13,561,153	9,967,674
Gifts to permanent endowments	29,481	27,617
Total other revenues and expenses	<u>13,590,634</u>	<u>9,995,291</u>
Increase in net assets	17,931,572	11,586,494
 NET ASSETS		
Net assets, beginning of year	312,429,958	300,843,464
Net assets, end of year	<u>\$330,361,530</u>	<u>\$312,429,958</u>

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

Statements of Cash Flows

For the Years Ended June 30, 2012 and 2011

	<u>FY 2012</u>	<u>FY 2011</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Tuition and fees	\$81,798,511	\$71,972,005
Grants and contracts	28,510,484	30,501,380
Payments to vendors	(39,647,239)	(45,270,946)
Payments to employees	(109,105,332)	(109,646,769)
Payments for scholarships and fellowships	(20,493,131)	(19,833,395)
Loans issued to students	(712,734)	2,442,764
Collection of student loans	847,177	(2,127,102)
Auxiliary enterprise receipts	19,056,602	18,712,726
Other receipts (payments)	1,093,126	2,662,205
Net cash used by operating activities	<u>(38,652,536)</u>	<u>(50,587,132)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	34,830,415	44,008,542
Pell grant	19,048,947	17,988,318
Endowment gifts	29,481	27,617
Stafford/Plus/Direct loans receipts	69,022,706	62,142,233
Stafford/Plus/Direct loans disbursements	(69,022,706)	(62,233,764)
Agency fund receipts	6,555,194	5,687,574
Agency fund disbursements	(6,773,170)	(5,810,810)
Net cash provided by noncapital financing activities	<u>53,690,867</u>	<u>61,809,710</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bond issuance	25,330,000	-
Capital appropriations	11,577,821	11,497,345
Purchases of capital assets	(22,217,038)	(12,093,740)
Contributions and gifts in-kind	-	799,431
Principal paid on capital debt and leases	(2,428,161)	(1,912,181)
Interest paid on capital debt and leases	(1,649,172)	(1,599,752)
Net cash provided (used) by capital financing activities	<u>10,613,450</u>	<u>(3,308,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	13,245,980	23,567,970
Interest on investments	3,244,861	4,250,717
Purchase of investments	(24,676,303)	(28,966,656)
Net cash provided (used) by investing activities	<u>(8,185,462)</u>	<u>(1,147,969)</u>
Net increase (decrease) in cash	17,466,319	6,765,712
Cash, beginning of year	<u>30,304,776</u>	<u>23,539,064</u>
Cash, end of year	<u>\$47,771,095</u>	<u>\$30,304,776</u>

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

Statements of Cash Flows *(continued)*

For the Years Ended June 30, 2012 and 2011

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

	<u>FY 2012</u>	<u>FY 2011</u>
Operating income (loss)	\$(51,405,634)	\$(65,152,432)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	10,700,989	10,557,081
Changes in assets and liabilities:		
Receivables, net	564,893	1,703,575
Inventories	(52,675)	(48,022)
Other assets	(482,169)	(347,771)
Accounts payable	788,660	549,561
Deferred revenue	548,644	888,599
Deposits held for others	(684)	(281,231)
Compensated absences	458,175	1,132,515
Loans to students	227,265	410,993
Net cash used by operating activities	<u>\$(38,652,536)</u>	<u>\$(50,587,132)</u>

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

Statements of Financial Position— Component Unit (Foundation)

June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Cash and cash equivalents	\$3,487,126	\$3,864,690
Promises to give, net of allowances and discounts	1,078,146	824,904
Other assets	696,696	428,664
Contributions receivable from charitable trusts	310,930	316,836
Investments held in charitable trusts	159,564	176,681
Investments	13,750,238	13,507,215
Beneficial interest in perpetual trusts	2,469,355	2,479,666
Total assets	<u>\$21,952,055</u>	<u>\$21,598,656</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$83,517	\$81,752
Annuities payable	125,534	148,492
Notes payable	517,887	674,530
Total liabilities	<u>726,938</u>	<u>904,774</u>
COMMITMENTS	-	-
NET ASSETS		
Unrestricted (deficit)	(563,234)	(330,160)
Temporarily restricted	5,888,413	5,511,381
Permanently restricted	15,899,938	15,512,661
Total net assets	<u>21,225,117</u>	<u>20,693,882</u>
Total liabilities and net assets	<u>\$21,952,055</u>	<u>\$21,598,656</u>

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

Statements of Activities – Component Unit (Foundation)

For the Years Ended June 30, 2012 and 2011

	FY 2012				FY 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND SUPPORT								
Contributions	\$65,154	\$2,027,600	\$417,365	\$2,510,119	\$81,926	\$1,802,741	\$240,481	\$2,125,148
Contributions from trusts	-	80,820	-	80,820	-	122,852	-	122,852
Investment income, net of fees								
of \$69,874 and \$52,553, respectively	8,650	214,249	(8)	222,891	7,505	253,158	1,037	261,700
Realized gain on investments	192	829,939	-	830,131	(193)	115,681	-	115,488
Unrealized loss on investments	(221,813)	(541,869)	-	(763,682)	1,167,192	883,822	-	2,051,014
Change in value of split-interest agreements	-	-	(21,198)	(21,198)	-	-	350,607	350,607
Support provided by Eastern								
Washington University	1,071,707	-	-	1,071,707	1,087,472	-	-	1,087,472
Other	-	332,180	25,933	358,113	630	290,107	25,094	315,831
Net assets released from restrictions and other transfers	2,600,702	(2,565,887)	(34,815)	-	2,740,610	(2,740,384)	(226)	-
Total revenues, gains, and support	<u>3,524,592</u>	<u>377,032</u>	<u>387,277</u>	<u>4,288,901</u>	<u>5,085,142</u>	<u>727,977</u>	<u>616,993</u>	<u>6,430,112</u>
EXPENSES								
Management and general	755,032	-	-	755,032	781,861	-	-	781,861
Fundraising	632,851	-	-	632,851	652,791	-	-	652,791
Support provided to/for Eastern								
Washington University	2,369,783	-	-	2,369,783	2,652,608	-	-	2,652,608
Total expenses	<u>3,757,666</u>	<u>-</u>	<u>-</u>	<u>3,757,666</u>	<u>4,087,260</u>	<u>-</u>	<u>-</u>	<u>4,087,260</u>
CHANGE IN NET ASSETS	(233,074)	377,032	387,277	531,235	997,882	727,977	616,993	2,342,852
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(330,160)</u>	<u>5,511,381</u>	<u>15,512,661</u>	<u>20,693,882</u>	<u>(1,328,042)</u>	<u>4,783,404</u>	<u>14,895,668</u>	<u>18,351,030</u>
NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$(563,234)</u></u>	<u><u>\$5,888,413</u></u>	<u><u>\$15,899,938</u></u>	<u><u>\$21,225,117</u></u>	<u><u>\$(330,160)</u></u>	<u><u>\$5,511,381</u></u>	<u><u>\$15,512,661</u></u>	<u><u>\$20,693,882</u></u>

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

Notes to Financial Statements – June 30, 2012

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. For the fiscal years ended June 30, 2012 and 2011, the net distribution from the Foundation to the University for restricted and unrestricted purposes which includes both student scholarships and program support follows:

Fiscal Year	Net Distribution
2012	\$1,298,076
2011	\$1,565,136

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 and Unearned Revenues

The balance in deferred revenue represents the amounts where the asset recognition criteria have been met, but for which the availability criteria have not been met. The balance of unearned revenue represents

amounts for which the asset recognition criteria have been met, but for which the earnings process is not complete. Summer quarter tuition is shown as unearned 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, buildings and building improvements and \$5,000 or greater for all other capital assets such as 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 improvements other than buildings, 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.

Charitable Gift Annuities

Under RCW 28B.10.485 the University may issue charitable gift annuity contracts in return for a gift of assets to the institution. In turn, the University agrees to pay a fixed

amount of money to one or two beneficiaries for their lifetime. The assets received are recognized at fair value. The annuity payable is based upon the present value of the expected payments to the named recipients under the agreements using actuarial tables for life expectancies.

Use of Estimates

Allowances for uncollectible accounts (Note 3) are estimates based on aging and historical collection of student loans and accounts receivable. Actual results could differ from those estimates; however, the University believes these allowances are adequate. Prior to 2011, bad debt expenses for uncollectible student tuition and fees receivable we recorded as a direct charge to revenues.

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 endowments and charitable gift annuity 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 and Restatements

Certain reclassifications not affecting total net assets have been made to 2011 amounts in order to conform to 2012 presentation.

In addition, the reserve for future unemployment claims previously recorded as liabilities on the Statement of Net Assets has been reclassified as unrestricted net assets beginning July 1, 2010 based on analysis of the potential for future claims. This reclassification reduces liabilities and increases unrestricted fund balance. Following is a reconciliation of the June 30, 2010 ending net assets, as previously reported, to the restated net asset balance for the same period.

Total net assets, as previously reported, June 30, 2010	\$ 297,722,781
Reclassification of unemployment compensation reserve	3,120,683
Beginning net assets, July 1, 2010	\$ 300,843,464

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 fiscal yearend, insured/collateralized deposits consist of the following:

	Carrying Value June 30, 2012	Carrying Value June 30, 2011
Deposits		
Cash and cash equivalents		
Interest bearing	\$ 47,635,503	\$ 30,170,484
Other	135,592	134,292
Total deposits	\$ 47,771,095	\$ 30,304,776

Notes to Financial Statements – June 30, 2012

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, 2012, investment maturities are as follows:

	Fair value June 30, 2012	Investment maturities for fixed income securities (in months)			
		0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds					
U.S. Government agency bonds	\$ 60,985,410	\$ 12,058,290	\$ 29,112,780	\$ 19,814,340	
U.S. Government treasury bonds	6,098,910		6,098,910		
Certificates of deposit					
Other deposits					
Investments – Charitable Gift Annuities					
Investment unit trusts					
Equity fund	253,760				
Bond fund	170,893				\$ 170,893
Investments – Endowment Funds					
Investment unit trusts					
Equity fund	4,601,154				
Bond fund	3,076,353				3,076,353
Total investments	\$ 75,186,480	\$ 12,058,290	\$ 35,211,690	\$ 19,814,340	\$ 3,247,246

At June 30, 2011, investment maturities are as follows:

	Fair value June 30, 2011	Investment maturities for fixed income securities (in months)			
		0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds					
U.S. Government agency bonds	\$ 43,040,314	\$ 6,870,428	\$ 15,214,950	\$ 20,954,935	
U.S. Government treasury notes	12,194,080	2,009,220	7,101,430	3,083,430	
Certificates of deposit					
Other deposits					
Investments – Charitable Gift Annuities					
Investment unit trusts					
Equity fund	267,388				
Bond fund	181,338				\$ 181,338
Investments – Endowment Funds					
Investment unit trusts					
Equity fund	4,870,125				
Bond fund	3,012,697				\$ 3,012,697
Total investments	\$ 63,565,942	\$ 8,879,648	\$ 22,316,380	\$ 24,038,365	\$ 3,194,035

At June 30, 2012 the net appreciation on investments of donor-restricted endowments that is available for expenditure authorization is \$2,346,462 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 7.6 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%

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.

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

Note 3: Accounts and Student Loans Receivable

Accounts and student loans receivable at June 30, 2012 and 2011 consist of the following:

	June 30, 2012	June 30, 2011
Accounts receivable		
Student tuition and fees (less allowances of \$90,254 and \$103,102, respectively)	\$ 5,744,286	\$ 5,560,789
Auxiliary enterprises (less allowances of \$244,804 and \$251,871, respectively)	952,283	784,738
Contracts and grants	1,013,129	1,899,486
State reimbursement	2,984,811	1,001,479
Other (less allowances of \$50,692 and \$84,083, respectively)	613,173	642,751
Total accounts receivable	\$ 11,307,682	\$ 9,889,243
Student loans receivable		
Federal programs (less allowances of \$793,986 and \$749,693, respectively)	\$ 4,860,896	\$ 5,085,193
Institutional loans (less allowances of \$7,745 and \$6,155, respectively)	153,377	156,344
Total student loans receivable	\$ 5,014,273	\$ 5,241,537

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 represents a liability to the University and is recorded and reported accordingly. Accumulated sick leave

Compensated Absences		
Leave Type	June 30, 2012	June 30, 2011
Vacation	\$ 4,426,105	\$ 4,725,668
Sick	\$ 1,204,382	\$ 1,207,884
Compensatory	\$ 751	\$ 3,289

earned and unused, calculated at 25 percent of unused balance, 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 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 \$3,169,768 and \$3,131,293 at June 30, 2012 and 2011, respectively.

Notes to Financial Statements – June 30, 2012

Note 7: Capital Assets

Capital asset activity for the two-year period ended June 30, 2012 is summarized as follows:

	June 30, 2010	Additions	Retirements	June 30, 2011	Additions	Retirements	June 30, 2012
Non-depreciable Capital Assets							
Land	\$2,120,954	-	-	\$2,120,954	-	-	\$2,120,954
Construction in progress	7,416,884	\$10,779,932	\$3,632,709	14,564,107	\$17,028,217	-	31,592,324
Subtotal	9,537,838	10,779,932	3,632,709	16,685,061	17,028,217	-	33,713,278
Depreciable Capital Assets							
Buildings	290,393,659	1,694,199	51,020	292,036,838	1,331,974	-	293,368,812
Improvements other than buildings	14,674,898	893,907	-	15,568,805	-	-	15,568,805
Infrastructure	28,658,227	1,938,510	-	30,596,737	103,062	-	30,699,799
Furniture, fixtures and equipment	29,588,821	1,215,116	1,533,383	29,270,554	1,431,923	\$733,223	29,969,254
Library materials	28,929,622	1,331,200	1,077,185	29,183,637	1,342,537	7,389,411	23,136,763
Subtotal	392,245,227	7,072,932	2,661,588	396,656,571	4,209,496	8,122,634	392,743,433
Total Capital Assets	401,783,065	17,852,864	6,294,297	413,341,632	21,237,713	8,122,634	426,456,711
Less accumulated depreciation:							
Buildings	89,117,195	5,806,832	25,592	94,898,435	6,191,425	-	101,089,860
Improvements other than buildings	4,636,082	462,730	-	5,098,812	476,137	-	5,574,949
Infrastructure	16,144,828	911,989	-	17,056,817	936,184	-	17,993,001
Furniture, fixtures and equipment	22,925,743	2,352,052	1,496,237	23,781,558	2,048,023	695,892	25,133,689
Library materials	17,107,433	1,023,478	1,077,185	17,053,726	1,049,220	7,389,412	10,713,534
Total accumulated depreciation	149,931,281	10,557,081	2,599,014	157,889,348	10,700,989	8,085,304	160,505,033
Capital assets, net of depreciation	\$251,851,784	\$7,295,783	\$3,695,283	\$255,452,284	\$10,536,724	\$37,330	\$265,951,678

The Spokane Higher Education Center, a four-story building located at 705 W. 1st Ave. in downtown Spokane, is currently vacant (idle) and is being marketed for sale. The University no longer intends to use the property, instead focusing on providing educational programs and services in the nearby University District. The property is reported on the Statement of Net Assets at the lower of carrying value or estimated fair value.

	June 30, 2012	June 30, 2011
Historical cost (excluding land)	\$ 4,504,995	\$ 4,504,995
Less: Accumulated depreciation	2,215,927	2,125,819
Subtotal	\$ 2,289,068	\$ 2,379,176
Less: impairment loss	376,118	-
Adjusted carrying value	\$ 1,912,950	-

Note 8: Long-term Liabilities

Long-term liability activity for the two-year period ended June 30, 2012 is summarized as follows:

	June 30, 2010	Additions	Reductions	June 30, 2011	Current Portion 2011
Leases and bonds payable:					
Lease obligations (Note 9)	\$ 3,885,666	-	\$ 417,862	\$ 3,467,804	\$ 403,161
General obligation bonds	74,319	-	74,319	-	-
Revenue bonds payable (Note 10)	33,140,000	-	1,420,000	31,720,000	1,490,000
Total leases and bonds payable	37,099,985	-	1,912,181	35,187,804	1,893,161
Other liabilities:					
Charitable gift annuities (Note 1)	56,879	\$ 178,955	36,663	199,171	32,172
Net pension obligation (Note 12)	2,341,573	986,000	197,292	3,130,281	-
Compensated absences (Note 5)	5,735,326	3,841,818	3,640,303	5,936,841	3,289
Total long-term liabilities	\$ 45,233,763	\$ 5,006,773	\$ 5,786,439	\$ 44,454,097	\$ 1,928,622
<i>Continued from above:</i>					
	June 30, 2011	Additions	Reductions	June 30, 2012	Current Portion 2012
Leases and bonds payable:					
Lease obligations (Note 9)	\$ 3,467,804	-	\$ 403,161	\$ 3,064,643	\$ 314,083
General obligation bonds	-	-	-	-	-
Revenue bonds payable (Note 10)	31,720,000	\$ 25,330,000	2,025,000	55,025,000	1,020,000
Total leases and bonds payable	35,187,804	25,330,000	2,428,161	58,089,643	1,334,083
Other liabilities:					
Charitable gift annuities (Note 1)	199,171	8,454	60,971	146,654	32,172
Net pension obligation (Note 12)	3,130,281	986,000	169,703	3,946,578	-
Compensated absences (Note 5)	5,936,841	3,955,545	4,261,148	5,631,238	751
Total long-term liabilities	\$ 44,454,097	\$ 30,279,999	\$ 6,919,983	\$ 67,814,113	\$ 1,367,006

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 2013 through 2017. Total operating lease expenses in fiscal year 2012 were \$840,332.

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, 2012, are as follows:

Fiscal Year Annual Payment	Operating	Capital
2013	\$ 385,473	\$ 483,775
2014	320,882	410,503
2015	242,068	397,751
2016	85,712	385,000
2017	18,852	385,000
2018-22	-	1,925,000
2023-27	-	47,627
Obligation under leases	\$ 1,052,987	4,034,656
Less: Amount representing interest costs		(970,013)
Present value of minimum obligation under capital leases		\$ 3,064,643

Note 10: Bonds Payable

Bonds payable consist of revenue bonds issued by University auxiliary enterprises for capital construction projects 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.

The University issued Housing and Food Services Revenue Bonds, Series 2012 on April 11, 2012. The bonds have interest stated at 2.0% to 4.125%, and are due serially on April 1, 2014 to 2042, in amounts from \$505,000 to \$1,425,000. Interest is payable semiannually on October 1 and April 1. The bonds are collateralized by a lien on the net revenues of the system, available after providing payments of system operating expenses, and other rights and money provided in the bond resolution.

The Housing Dining System Revenue/Refunding Bonds, Series 2002, were extinguished through early defeasance on April 23, 2012 in which cash from the revenue stream originally pledged to secure the bonds was placed in escrow and used to pay debt service on the bonds until maturity on October 1, 2012.

	Interest Rate	Maturity Date	Original Balance	Balance Outstanding
Eastern Washington University				
Housing and Dining System Revenue/Refunding Bonds, Series 2002	2.50% - 3.80%	2012-2013	\$ 4,515,000	\$ -
Service and Activities Revenue Bonds, Series 2006	4.00% - 5.00%	2012-2038	28,090,000	26,055,000
Service and Activities Refunding Bonds, Series 2006	4.00% - 4.00%	2012-2019	5,625,000	3,640,000
Housing and Dining System Revenue Bonds, Series 2012	2.00% - 4.125%	2012-2042	25,330,000	25,330,000
Total Revenue Bonds payable			\$ 63,560,000	\$ 55,025,000

Eastern Washington University debt service requirements for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2013	\$ 1,020,000	\$ 2,211,785
2014	1,570,000	2,197,268
2015	1,625,000	2,143,667
2016	1,685,000	2,082,918
2017	1,760,000	2,014,517
2018-2022	8,020,000	9,059,638
2023-2027	8,270,000	7,613,113
2028-2032	10,125,000	5,766,020
2033-2037	12,675,000	3,369,033
2038-2042	8,275,000	877,774
Totals	\$ 55,025,000	\$ 37,335,733

Notes to Financial Statements – June 30, 2012

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
Service and activity fee revenue	8,046,181	2,280,417	48,341,076	S&A Fee Revenue and Refunding Bonds – Series 2006	Refund outstanding debt on S&A Revenue Bonds of 1993 and construction of a new student recreation center	2019 (Refunding) 2038 (Revenue)
Housing and Dining revenues net of operating expenses	3,461,777	-	44,019,662	Housing and Dining System Revenue Bonds – Series 2012	Design and construction of a new residence hall	2042

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, 2012, was \$82,224,769. The payroll for employees covered by PERS was \$23,648,751; payroll for employees covered by TRS was \$251,542; payroll for employees covered by LEOFF was \$586,412; and payroll for employees covered by the Eastern Washington University Retirement Plan was \$45,913,638.

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 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, 2012		Required Employer Contributions		
	Employee	University	FY 2010	FY 2011	FY 2012
PERS					
Plan I	6.00%	7.25%	\$ 75,715	\$ 58,541	\$ 70,416
Plan II	4.64%	7.25%	1,036,222	1,024,555	1,379,794
Plan III	Varies	7.25% *	189,222	191,201	248,399
TRS					
Plan I	6.00%	8.04%	\$ 3,341	\$ 2,827	\$ 2,980
Plan II	3.37%	8.04%	4,529	3,369	4,395
Plan III	Varies	8.04%*	-	-	12,715
LEOFF					
Plan II	8.46%	8.62%	\$ 48,010	\$ 44,628	\$ 50,549

*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. On June 8, 2011, the supplemental benefit payment was discontinued for new employees hired after July 1, 2011. This action caps and will eventually eliminate net pension obligations. No other significant changes were made in the benefit provision for the year ended June 30, 2012.

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, 2012, total \$3,948,549. 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, 2011. The actuarial assumptions for the evaluation included an investment rate of return of 4.25 percent per annum and projected salary increases of two percent (2%) for two years and four percent (4%) thereafter. The previous evaluation was performed in 2009. 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, 2011 was \$5,505,000 under the plan's entry age normal method and is amortized over a 13 year period. The annual required contribution (ARC) is projected at \$986,000. 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.

Net Pension Obligation	FY 2012	FY 2011	FY 2010
Balance as of July 1	\$ 3,130,281	\$ 2,341,573	\$ 1,444,661
Add: Annual Required Contribution	986,000	986,000	1,055,000
Less: Payments to beneficiaries	169,703	197,292	158,088
Balance as of June 30	\$ 3,946,578	\$ 3,130,281	\$ 2,341,573

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 follows:

Net OPEB Obligation	FY 2012	FY 2011	FY 2010
Balance as of July 1	\$ 12,580,000	\$ 9,572,000	\$ 6,154,000
Add: Estimated annual OPEB expenses	3,633,000	3,613,000	3,928,000
Less: Estimated contributions	605,000	605,000	510,000
Balance as of June 30	\$ 15,608,000	\$ 12,580,000	\$ 9,572,000

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 follows:

	Housing and Dining System Refunding Revenue Bonds Series 2012 and 2002		Associated Student Activities Revenue and Refunding Bonds Series 2006	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Assets				
Current assets	\$ 26,615,232	\$ 4,289,536	\$ 2,948,443	\$ 2,578,113
Non-current assets	26,803,556	22,033,174	37,545,232	37,644,301
Total assets	53,418,788	26,322,710	40,493,675	40,222,414
Liabilities				
Current liabilities	2,495,487	1,944,970	1,465,105	1,421,438
Non-current liabilities	28,736,468	3,888,718	28,926,312	29,964,625
Total liabilities	31,231,955	5,833,688	30,391,417	31,386,063
Net assets				
Invested in capital assets, net of related debt	(6,645,311)	14,191,382	4,723,329	4,303,531
Restricted expendable	21,479,598	187,250	-	-
Unrestricted	7,352,546	6,110,390	5,378,929	4,532,820
Total net assets	\$ 22,186,833	\$ 20,489,022	\$ 10,102,258	\$ 8,836,351

Notes to Financial Statements – June 30, 2012

Note 14 continued:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Housing and Dining System Refunding Revenue Bonds Series 2012 and 2002		Associated Student Activities Revenue and Refunding Bonds Series 2006	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Operating revenues	\$ 16,026,501	\$ 15,513,229	\$ 8,351,045	\$ 7,737,436
Operating expenses	14,930,604	15,306,099	3,822,284	3,460,995
Net operating income	1,095,897	207,130	4,528,761	4,276,441
Non-operating revenues (expenses)	(156,439)	(203,094)	(1,259,846)	(1,307,632)
Transfers	758,353	-	(2,003,008)	(1,809,621)
Change in net assets	1,697,811	4,036	1,265,907	1,159,188
Net assets, beginning of year	20,489,022	20,484,986	8,836,351	7,677,163
Net assets, end of year	\$ 22,186,833	\$ 20,489,022	\$ 10,102,258	\$ 8,836,351

Condensed Statement of Cash Flows

Net cash flows provided by operating activities	\$ 1,934,792	\$ 1,397,967	\$ 5,497,599	\$ 5,174,889
Net cash flows provided (used) by non-capital and related financing activities	-	-	(2,059,408)	(1,866,021)
Net cash flows used by capital and related financing activities	21,317,288	(1,669,597)	(2,632,602)	(2,289,014)
Net cash flows provided by investing activities	(1,028,668)	536,167	(892,466)	(631,303)
Net increase (decrease) in cash	22,223,412	264,537	(86,877)	388,551
Cash—beginning of year	2,633,885	2,369,348	1,510,799	1,122,248
Cash—end of year	\$ 24,857,297	\$ 2,633,885	\$ 1,423,922	\$ 1,510,799

Note 15: Operating Expenses by Function

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

Operating Expenses	FY 2012	FY 2011
Educational and general		
Instruction	\$ 59,537,145	\$ 60,675,599
Research	1,333,324	1,164,227
Public service	5,597,372	6,762,792
Academic support	10,433,962	10,665,057
Student services	13,581,603	13,543,619
Institutional support	15,953,066	17,542,236
Operation and maintenance of plant	15,594,656	18,858,608
Scholarships and fellowships	20,816,647	20,347,804
Auxiliary enterprises	27,808,207	27,014,237
Depreciation	10,739,250	10,619,655
Total operating expenses	\$ 181,395,232	\$ 187,193,834

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. An exception may be *Moore v. Health Care Authority*. This is a class action lawsuit brought on behalf of state employees who allege they were improperly denied health care benefits. The plaintiffs and class requested an undetermined amount plus double damages, which means the potential for damages may be substantial. Discovery related to damages remains ongoing. On December 16, 2011, a hearing was held to determine whether to certify a class on damages for the time period June 1, 2003 through December 31, 2009. Due to the current status of the case, it is difficult to assess potential damages.

Outstanding purchase orders and other commitments at June 30, 2012 total \$37,650,634 for various goods and services mostly from public works contracts associated with construction of the new residence hall.



The Office of Controller is responsible for preparing this report. Additional copies of this publication are available from:

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