Associated Students of San Diego State University

Financial Report

June 30, 2008

McGladrey & Pullen

Certified Public Accountants

Contents

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

The Associated Students Council
Associated Students of San Diego State University
San Diego, California

We have audited the accompanying statements of financial position of Associated Students of San Diego State University (the Organization) as of June 30, 2008 and 2007, and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present, in all material respects, the financial position of the Organization as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The schedules, listed in the table of contents as supplementary information on pages 18 through 22, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements of the Organization are also included as a component unit of the basic financial statements of San Diego State University, the primary reporting entity.

McGladrey & Pullen, LLP

San Diego, California
September 16, 2008

Associated Students of San Diego State University

Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Current Assets		
Cash	$ 708,132	$ 51,238
Certificates of deposit	693,000	1,977,000
Short-term investments (Note 2)	4,844,556	1,305,566
Receivables, net (Note 3)	812,728	1,157,432
Prepaid expenses and other	162,421	272,189
Deposits	179,593	160,105
Total current assets	7,400,430	4,923,530
Noncurrent Assets		
Buildings, improvements and equipment, net (Note 4)	2,439,430	2,382,682
Certificates of deposit	3,551,000	4,244,000
Total noncurrent assets	5,990,430	6,626,682
	$ 13,390,860	$ 11,550,212

Liabilities and Net Assets		
Current Liabilities		
Accounts payable (Note 3)	$ 577,009	$ 576,184
Accrued liabilities (Note 3)	812,538	976,542
Obligations under capital lease (Note 6)	82,845	-
Deferred revenue	337,033	404,909
Total current liabilities	1,809,425	1,957,635
Accrued Employee Benefit Cost (Note 5)	1,009,329	878,195
Accrued Pension Costs (Note 5)	375,545	389,091
Noncurrent portion of obligations under capital lease (Note 6)	132,752	-
Total liabilities	3,327,051	3,224,921
Commitments and Contingencies (Notes 5 and 6)		
Net Assets, unrestricted (Note 8)	10,063,809	8,325,291
	$ 13,390,860	$ 11,550,212

See Notes to Financial Statements.

Associated Students of San Diego State University

Statements of Activities
Years Ended June 30, 2008 and 2007

	2008	2007
Changes in Unrestricted Net Assets		
Revenue and other support:		
Activity fees	$ 1,087,571	$ 1,019,528
Student union fees	3,160,478	2,865,695
Investment income (Note 2)	472,324	375,784
Administrative	118,487	58,631
Program revenue and user fees:		
Campus recreation	4,734,297	4,153,033
Children's center	2,052,578	1,991,939
College councils	299	1,461
Cultural arts	43,007	42,209
Daily Aztec	725,429	860,649
Imperial Valley Campus	643	1,033
Mission Bay Aquatic Center	1,701,597	1,719,393
Student government	64,396	91,770
Student organizations	333	-
Facility revenue and user fees:		
Aztec Center/Scripps Cottage	1,055,485	742,970
Imperial Valley Campus facilities	-	-
Cox Arena (Note 6)	4,474,300	4,289,718
Total revenue and other support	19,691,224	18,213,813
Expenses and deductions (Note 5):		
General and administrative	2,001,336	1,797,217
Program expenses:		
Campus recreation	4,803,992	4,272,545
Children's center	1,974,638	1,842,531
College councils	23,246	23,479
Cultural arts	213,740	200,657
Daily Aztec	733,428	755,279
Imperial Valley Campus	25,512	27,671
Mission Bay Aquatic Center	1,830,191	1,764,435
Student government	312,250	346,779
Student organizations	47,649	53,688
Facility expenses:		
Aztec Center/Scripps Cottage	1,626,979	1,674,699
Imperial Valley Campus facilities	44,816	41,811
Cox Arena (Note 6)	4,314,929	3,945,565
Total expenses and deductions	17,952,706	16,746,356

See Notes to Financial Statements.

Associated Students of San Diego State University

Statements of Activities, Continued
Years Ended June 30, 2008 and 2007

	2008	2007
Revenue, gains and other support over expenses and deductions	$ 1,738,518	$ 1,467,457
Net increase in net assets, unrestricted before adoption of FASB Statement No. 158	1,738,518	1,467,457
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	-	(548,000)
Net increase in net assets, unrestricted	$ 1,738,518	$ 919,457

See Notes to Financial Statements.

Associated Students of San Diego State University

Statements of Changes in Net Assets
Years Ended June 30, 2008 and 2007

Net assets, unrestricted, June 30, 2006	$	7,405,834
Net increase in net assets, unrestricted		919,457
Net assets, unrestricted, June 30, 2007		8,325,291
Net increase in net assets, unrestricted		1,738,518
Net assets, unrestricted, June 30, 2008	$	10,063,809

See Notes to Financial Statements.

Associated Students of San Diego State University

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Increase in net assets, unrestricted	$ 1,738,518	$ 919,457
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net periodic postretirement benefit cost	117,588	693,219
Depreciation and amortization	614,589	511,534
Net loss on disposal of equipment	41,706	16,172
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	344,704	(266,898)
Prepaid expenses and other	109,768	11,862
Deposits	(19,488)	-
Increase (decrease) in liabilities:		
Accounts payable	825	(211,872)
Accrued liabilities	(164,004)	385,881
Deferred revenue	(67,876)	(170,392)
Net cash provided by operating activities	2,716,330	1,888,963
Cash Flows from Investing Activities		
Proceeds from matured certificates of deposit	1,977,000	1,683,000
Proceeds from sale of equipment	2,231	43,489
Purchases of certificates of deposit	-	(2,673,000)
Purchase of investments	(6,557,503)	(4,402,234)
Redemption of investments	3,018,513	4,402,356
Purchases of equipment	(490,072)	(988,848)
Net cash (used in) investing activities	(2,049,831)	(1,935,237)
Cash Flows from Financing Activities		
Payments on capital lease obligation	(9,605)	-
Net cash (used in) financing activities	(9,605)	-
Net increase (decrease) in cash	656,894	(46,274)
Cash		
Beginning of year	51,238	97,512
End of year	$ 708,132	$ 51,238
Noncash Activity		
Equipment under capital lease	225,202	-
Capital lease obligation	(225,202)	-
Total noncash activity	$ -	$ -

See Notes to Financial Statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: Associated Students of San Diego State University (the Organization) is a California not-for-profit auxiliary organization of The California State University (CSU), organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. The function of the Organization is to provide essential activities which are an integral part of the San Diego State University's (the University) campus programs. Such activities include student government, cultural programs and various other services.

The operations of the Organization combine the activities of two unrestricted funds: General Activities and Student Union. The General Activities fund accounts for activities provided by the student government and its boards and committees, and student organizations. The Student Union fund accounts for the facilities, programs and services provided by the Associated Students, which include Cultural Arts, Aztec Center, Cox Arena, Campus Recreation, Mission Bay Aquatic Center, Children's Centers, etc. The Organization extends credit to the University and its auxiliary organizations in the form of unsecured receivables. The Organization also receives contributions from the University and its auxiliary organizations to support the Organization's operations.

Affiliated organizations: The Organization is related to other auxiliaries of the University, including Aztec Shops, Ltd., The Campanile Foundation and San Diego State University Research Foundation. These auxiliaries and the University periodically provide various services to one another.

A summary of significant accounting policies is as follows:

Basis of accounting and reporting: The financial statements of the Organization have been prepared in accordance with Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. At June 30, 2008 and 2007, all of the Organization's net assets have been classified as unrestricted. Unrestricted net assets represent funds which are fully available, at the discretion of management and the Associated Students Council, for the Organization to utilize in any of its programs or services. In order to ensure observance of limitations and possible restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Funds that have similar objectives and characteristics have been combined into fund groups. Amounts due to or from other funds are eliminated in total in the financial statements.

Contributions, including unconditional promises to give (pledges), are recognized in the year the promise is made, as opposed to when assets are received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted contributions. Temporarily restricted net assets are reclassified as unrestricted net assets at such time as the Organization has fulfilled the donor-imposed restriction. Contributions where donor-imposed restrictions both arose and expired in the same fiscal year are reported as unrestricted contributions. As of and for the years ended June 30, 2008 and 2007, all contributions received by the Organization were classified as unrestricted and are included in "Revenue and other support."

Noncash contributions are recorded at their fair value at the date of donation as established by either appraisal or the value anticipated in the subsequent resale of an item.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Allocation of expenses: The statements of activities summarize expenses according to program costs and other activities. Included in the program costs and other activities are the allocable depreciation, amortization and gains or losses from disposal of equipment. In the statements of activities, the expenses related to depreciation and amortization and gain or loss from disposal of equipment have been allocated among the programs and activities presented, for the years ended June 30 as follows:

	2008		2007	
	Depreciation and Amortization	Loss from Disposal of Equipment	Depreciation and Amortization	(Gain) Loss from Disposal of Equipment
General and administrative	$ 58,687	$ 4,290	$ 44,925	$ 1,267
Program expenses:				
Campus recreation	256,805	18,855	222,796	(6,191)
Children's center	28,642	1,049	26,898	265
College councils	847	-	847	-
Cultural arts	2,657	175	3,223	1,295
Daily Aztec	63,652	6,791	45,209	3,241
Imperial Valley Center	427	-	387	-
Mission Bay Aquatic Center	31,391	150	24,948	(988)
Student government	5,414	974	5,612	6,555
Student organizations	-	-	-	1,313
Facility expenses:				
Aztec Center	106,146	9,255	88,869	8,820
Cox Arena	58,913	167	46,782	595
Imperial Valley Campus	1,008	-	1,038	-
	$ 614,589	$ 41,706	$ 511,534	$ 16,172

Cash: The Organization maintains its checking accounts in one commercial bank located in San Diego, California. The total balances in the checking accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. The Organization’s accounts at this institution may, at times, exceed the federally insured limit. Management believes that the risk of loss is not significant, and the Organization has not experienced any losses in such accounts for the years ended June 30, 2008 and 2007.

Investments: Investments, including Local Agency Investment Fund (LAIF), are recorded at their fair value in the statements of financial position, with the exception of certificates of deposit (CDs), which are recorded at cost. Investment income or losses (including realized gains and losses on investments, interest and dividends) are included in the statements of activities as increases or decreases in investment income, net.

Buildings, improvements and equipment: Buildings, improvements and equipment are recorded at cost, if purchased, or at the fair value of the contribution, if donated. Buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the underlying assets, generally 5 to 15 years. Improvements on leased facilities and facilities under operating agreements are amortized over the lesser of the related lease or operating agreement, or the estimated asset lives.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Improvements to buildings leased from the trustees of the California State University are considered expenditures on behalf of the University and, accordingly, are expensed in the year incurred. Total reimbursements for these improvements to the University during the years ended June 30, 2008 and 2007 amounted to approximately $8,000 and $55,000, respectively.

Long-lived assets: The Organization evaluates the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected future undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. Management has determined that no impairment of long-lived assets currently exists.

Retirement and postretirement healthcare benefits: The Organization is a member of the California Public Employees' Retirement System (PERS), a multiemployer pension system which provides a contributory defined benefit pension and postretirement benefit program for its salaried employees. PERS functions as an investment and administrative agent for participating entities within the state of California.

The PERS plan provides retirement, survivor, and death and disability benefits based upon employees' years of service, age and final compensation, and also provides contributions toward medical insurance. Vesting occurs after five years of credited service. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit, payable monthly for the remainder of their lives, and may elect to continue payment of participant premiums for medical benefit coverage. Several survivor benefit options are available which reduce a retiree's unmodified benefit.

PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

While actuarial information is not available for the Organization, the Organization's pension plan information is included in the University's financial statement on an aggregate basis. The University's financial statement can be obtained from the California State University System.

The Organization also provides certain postretirement healthcare benefits for all retired employees that meet eligibility requirements through contracts with PERS. The Organization's share of the estimated healthcare costs that will be paid after retirement is generally being accrued by charges to expense over the employees' active service periods to the dates they are fully eligible for benefits.

The Organization obtains an actuarial valuation of the accumulated postretirement heath care obligations on a periodic basis (see Note 5).

Tax deferred annuity plan: The Organization sponsors a defined contribution retirement plan for eligible hourly employees. For the years ended June 30, 2008 and 2007, the Organization contributed 7% of the compensation of qualified employees amounting to approximately $178,000 and $165,000, respectively.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

Deferred revenue: The Organization recognizes revenue related to student activity fees, student program fees and sponsorships during the semester or as the programs and sponsorships are provided. Accordingly, certain student activity fees, student program fees and sponsorships received in advance of the semester or prior to the program are included in deferred revenue.

Revenues: Activity Fees and Student Union Fees are assessed upon student registration. Campus Recreation Fees are primarily assessed as monthly membership fees which provide students access to recreational facilities operated by the Organization. Campus recreation members who choose the option to pay monthly by electronic funds transfer (EFT) must make a four-month membership commitment. Revenue from the Children's Center is assessed monthly and recognized as services are provided. Daily Aztec revenues are generated from advertising and are recognized as the advertisements are published. Mission Bay Aquatic Center revenues are generated from program participants' fees and recognized in the period that the services are provided. Aztec Center/Scripps Cottage fees are earned from subleased space and on a per-event basis. Cox Arena revenues are earned at the time events are held.

Included in facility revenues and user fees, the Organization has a two-year exclusive license agreement with Aztec Shops, Ltd. (Shops) that expires on June 30, 2010. The agreement grants Shops an exclusive license to conduct concessions for food, beverages and novelty items bearing the imprint or emblem of the University in the Organization's venues on the campus. The license required monthly license fees based on various percentages of adjusted gross receipts, as defined, and amounted to approximately $315,000 and $287,000 during the years ended June 30, 2008 and 2007, respectively.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectibility of accounts receivable, the lives and methods for recording depreciation and amortization on property, improvements and equipment and accrued employee benefits and accrued pension costs.

Recent accounting pronouncements: In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2007. The cumulative effect of applying the provisions of FIN 48, if any, will be reported as an adjustment to the opening balance of retained earnings for the fiscal year of adoption. The Organization is currently assessing the impact of FIN 48 on its financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157, to partially defer FASB Statement No. 157, Fair Value Measurements*. This FSP defers the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS No. 157 is not expected to have a material impact on the Organization's financial position, net assets or cash flows.

Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No.159 permits companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Organization's management has evaluated and determined that the entity will not adopt SFAS No. 159 and will thus not impact its statements of financial position and net assets.

Note 2. Short-term Investments and Certificates of Deposit

Short-term investments and certificates of deposit consist of the following at June 30:

	2008	2007
Certificates of deposit:		
Current	$ 693,000	$ 1,977,000
Noncurrent	3,551,000	4,244,000
	4,244,000	6,221,000
LAIF	4,840,874	1,301,381
GNMA	3,682	4,185
	4,844,556	1,305,566
	$ 9,088,556	$ 7,526,566

Investment income, including income from CDs, consists of approximately $472,000 and $376,000 for the years ended June 30, 2008 and June 30, 2007, respectively. There was no unrealized income or loss on investments during the years ended June 30, 2008 and 2007, respectively.

The LAIF is an investment pool managed by the California State Treasurer (State). Its investments are short term and follow the investment requirements of the State. As of June 30, 2008, the average maturity of the LAIF investments was 212 days. The default credit risk of LAIF is considered minimal.

Note 3. Receivables and Related Affiliate Balances

The Organization provides services to and receives reimbursements from other auxiliaries of the University, primarily for rentals of facilities in which the Organization operates. In addition, the Organization purchases goods and services from, and may make reimbursements to, other auxiliaries of the University.

For the years ended June 30, 2008 and 2007, the Organization recorded cash receipts for services rendered and reimbursements from auxiliaries in the amount of approximately $2,746,000 and $2,612,000, respectively, which are included in revenue and other support. For the years ended June 30, 2008 and 2007, the Organization recorded cash disbursements for services received and reimbursements to auxiliaries in the amount of approximately $2,402,000 and $2,662,000, respectively, which are included in expenses and deductions.

Note 3. Receivables and Related Affiliate Balances, Continued

Receivables consist of the following at June 30:

	2008	2007
Advertising and services	$ 510,259	$ 648,367
Income tax refunds	8,149	8,149
Aztec Shops, Ltd.	57,608	109,755
San Diego State University Research Foundation	24,590	59,518
San Diego State University Campanile Foundation	-	5,831
San Diego State University	243,464	359,448
	844,070	1,191,068
Less allowance for doubtful accounts	31,342	33,636
	$ 812,728	$ 1,157,432

As of June 30, 2008, accounts payable and accrued liabilities include approximately $19,000 owed to Shops, $31,000 owed to San Diego State University Research Foundation and approximately $323,000 owed to the University.

As of June 30, 2007, accounts payable and accrued liabilities include approximately $95,000 owed to Shops, $3,800 owed to San Diego State University Research Foundation, and approximately $348,000 owed to the University.

Note 4. Buildings, Improvements and Equipment

The major cost classifications and accumulated depreciation are as follows as of June 30:

	2008	2007
Buildings	$ 10,761	$ 10,761
Construction in process	225,202	-
Building improvements	565,887	565,887
Equipment	5,366,022	5,184,584
	6,167,872	5,761,232
Less accumulated depreciation and amortization	3,728,442	3,378,550
	$ 2,439,430	$ 2,382,682

Note 5. PERS Benefit Plans

The Organization contracts with PERS to provide its salaried employees retirement and disability benefits which are paid by the State of California. In addition, employee group health insurance coverage (other) is obtained through PERS, and the contract requires the Organization to pay a minimum portion of the health insurance premiums of retirees after certain required periods of employment. Through June 30, 2003, the PERS retirement and disability plan was an agent multiemployer retirement plan; therefore, the provisions of SFAS No. 87, *Employers' Accounting for Pensions*, was applicable.

Effective July 1, 2003, the Organization began participating in a CalPERS cost-sharing multiemployer pension plan whereby other entities with benefits similar to the Organization participate in the same cost-sharing plan. At the date the Organization began participating in the cost-sharing plan, a liability was determined by CalPERS for each of the cost-sharing plan participants, called a "side fund liability," which was established to account for each Organization's share of the Pool's unfunded liability. The side fund liability is calculated by CalPERS annually and includes liability calculations for the subsequent two years using estimated employer payroll and estimated return on Plan assets.

The following table sets forth the calculation of the Organization's side fund liability as of June 30:

	Other Benefits	
	2008	2007
Side fund liability at beginning of year	$ 389,091	$ 322,928
Other	-	77,459
Service cost	133,482	135,469
Actual contributions	(174,105)	(176,244)
Amount allocated to interest on side fund liability	27,077	29,479
Side fund liability at end of year	$ 375,545	$ 389,091

Service cost was calculated using 8.9 percent and 8.7 percent of actual payroll for years ended June 30, 2008 and 2007, respectively. Contribution rates to CalPERS were 11.6 percent and 11.3 percent of actual payroll for the years ended June 30, 2008 and 2007, respectively. Interest on side fund earnings was calculated using CalPERS actual investment return, net of fees, of 18.5 percent and 18.6 percent for the years ended June 30, 2008 and 2007, respectively. Actual payroll was $1,536,968 and $1,468,865 for the years ended June 30, 2008 and 2007, respectively.

Postretirement healthcare benefit plan: In addition, the Organization contracts with PERS to provide its salaried employees group health insurance through PERS under a postretirement healthcare benefit plan. The contract requires the Organization to pay a minimum portion of the health insurance premiums of retirees after certain required periods of employment. The postretirement healthcare benefit plan requires retirees and active employees to pay a portion of the monthly health insurance premium cost. For the years ended June 30, 2008 and 2007, the Organization pays employees' health insurance premiums as they come due.

Note 5. PERS Benefit Plans, Continued

The following table sets forth the funded status of the postretirement healthcare benefits and the amounts recognized in the accompanying statements of financial position as of June 30:

	Other Benefits			
		2008		2007
Projected benefit obligation	$	1,009,329	$	878,195
Plan assets, at fair value		-		-
Deficiency of plan assets (under) projected benefit obligation		(1,009,329)		(878,195)
Accrued employee benefit cost	$	(1,009,329)	$	(878,195)
Benefit cost	$	93,652	$	111,011
Employer contribution	$	37,192	$	31,955
Transition obligation recognized	$	-	$	548,000

Weighted average assumptions used in the computation of the healthcare premiums as of June 30, 2008 and 2007 include a discount rate of 6.3% and 6.3%, respectively.

The Organization estimates that its premiums for postretirement healthcare benefits will be approximately $103,000 for the year ending June 30, 2009.

Note 6. Commitments and Contingencies

Operating agreements and leases: Under a master operating agreement, which expires on June 30, 2009 and includes one five-year extension option, the Organization operates the Aztec Center, Cox Arena, Aztec Recreation Center, Aquaplex and the Children's Center for the benefit of the student body on behalf of the University. The use of the facilities are governed by the terms of the agreement, and the agreement requires the Organization to promote, staff, insure, repair, maintain and improve the facility when needed, and cover the cost of utilities program expenses, including the costs to operate these facilities. For the years ended June 30, 2008 and 2007, the Organization recognized approximately $2,021,000 and $2,234,000, respectively, of employee-related costs, insurance, repair, maintenance, facility improvements and utilities costs, which are included in the program's expenses and deductions and facility expenses.

Under a master operating agreement, which expires on June 30, 2009 and includes one five-year extension option, the Organization operates the Open Air Theatre, Scripps Cottage, Daily Aztec and a portion of the Peterson Gym for the benefit of the student body on behalf of the University. The use of the facilities is governed by the terms of the agreement, and the agreement requires the Organization to promote, staff, insure, repair, maintain and improve the facility when needed, and cover the cost of utilities program expenses, including the costs to operate these facilities. For the years ended June 30, 2008 and 2007, the Organization recognized approximately $332,000 and $463,000, respectively, of employee-related costs, insurance, repair, maintenance, facility improvements and utilities costs, which are included in the programs' expenses and deductions and facility expenses.

Note 6. Commitments and Contingencies, Continued

The Organization operates the Mission Bay Aquatic Center for the benefit of the student body on behalf of the University and the community of the City of San Diego. The use of the facilities is governed by the terms of the agreement, and the agreement requires the Organization to promote, staff, insure, repair, maintain and improve the facility when needed, and cover the cost of utilities. For the years ended June 30, 2008 and 2007, the Organization recognized approximately $107,000 and $101,000, respectively, of employee-related costs, insurance, repair, maintenance and utilities costs, which are included in the program's expenses and deductions.

In a prior year, the Organization entered into a usage agreement for certain athletic facilities owned by the University for the purpose of conducting intramural programs for students through June of 2020. The usage fee charge is negotiated annually, by July 1 for the upcoming year, and the Organization paid $20,000 to the University for each of the years ended June 30, 2008 and 2007, which was recorded as a component of Campus Recreation program expenses.

The Organization leases administrative space under a master lease agreement from the University and recognized approximately $147,000 in rent expense for each of the years ended June 30, 2008 and 2007. The Organization recognized approximately $53,000 in rent expense under a parking lot lease with the University for each of the years ended June 30, 2008 and 2007. The Organization recognized approximately $6,000 in rent expense under a lease with Aztec Shops for use of space by the student body for each of the years ended June 30, 2008 and 2007.

Approximate future minimum lease payments due under noncancelable operating leases at June 30, 2008 are as follows:

Years Ending June 30,	Amount
2009	$ 147,000

Subleases: The Organization subleases portions of the buildings to others. These sublease agreements expire through June 2010.

Approximate future minimum sublease rentals due to the Organization under noncancelable operating leases at June 30, 2008 are as follows:

Years Ending June 30,	Amount
2009	$ 189,000
2010	38,000
2011	-
	$ 227,000

Sublease rental income, which is included in facility revenue and user fees, amounted to approximately $331,000 and $334,000 for the years ended June 30, 2008 and 2007, respectively.

Sponsorship revenues: The Organization receives sponsorship revenue related to the Cox Arena and other campus venues from agreements with individual sponsors. In December 2006, the Organization signed a new sponsorship agreement with the University whereby the University is granted the right to rent the signage space on behalf of the Organization. The Organization is guaranteed certain revenues per year through 2017 based on certain terms of the agreement.

Note 6. Commitments and Contingencies, Continued

During the years ended June 30, 2008 and 2007, the Organization recognized revenue of approximately $579,000 and $567,000, respectively, under the sponsorship agreements, of which approximately $31,000 and $90,900 was remitted to the University and recognized in facility expenses for the years ending 2008 and 2007, respectively. The associated revenues are included in facility revenue and user fees.

Approximate future income from sponsorship revenue agreements at June 30, 2008 are as follows:

2009	$	579,000
2010		298,000
2011		289,000
2012		289,000
2013		318,000

Capital Lease: The Organization entered into a capital lease agreement for equipment in June 2008. The lease requires a down payment of approximately $9,600 and monthly payments of approximately $9,600, consisting of principal and interest beginning October 2008 through August 2010. The cost for equipment capitalized under the capital lease agreement totaled approximately $225,200 as of June 30, 2008. As the asset has not yet been placed in service, there is no recorded accumulated depreciation as of June 30, 2008.

Years Ending June 30,		Capital Lease
2009	$	86,442
2010		115,256
2011		19,211
Thereafter		-
		220,909
Less amount representing interest		5,312
Present value of the minimum lease payments		215,597
Less current portion		82,845
Long-term portion of capital lease obligations	$	132,752

Subsequent Event: Subsequent to year-end, the Organization entered into a long-term operating agreement with the City of San Diego for the Mission Bay Aquatic Center. The operating agreement runs through August 2023, has a 10-year renewal option and requires payment of an annual fee based on gross income from certain activities, as defined in the agreement conducted during the previous 12 months.

Note 7. Income Taxes

Tax-exempt status: The Organization is exempt from federal and state income taxes. In order to maintain that status, the Organization is precluded from making certain expenditures, principally in support of political parties. Management believes that no such expenditures have been made.

Note 7. Income Taxes, Continued

Unrelated business income tax: The Tax Reform Act of 1969 imposes a corporate income tax on the unrelated business taxable income (UBIT) of an otherwise tax-exempt organization. A provision, if necessary, for applicable federal and state income taxes is made in accordance with these statutes. There was no income tax expense related to UBIT for the years ended June 30, 2008 and 2007.

Note 8. Designated Net Assets

The Organization has designated unrestricted net assets as follows at June 30:

	2008	2007
General activities	$ 1,694,821	$ 1,370,706
Program	1,698,110	1,318,010
Equipment replacement	2,722,141	2,083,550
Pension benefit	(72,238)	-
Future facility	1,581,545	1,170,343
	$ 7,624,379	$ 5,942,609

Supplementary Information

Associated Students of San Diego State University

Statements of Activities (Student Union only)
Years Ended June 30, 2008 and 2007

	2008	2007
Changes in Unrestricted Net Assets		
Revenue and other support:		
Student union fees	$ 3,160,478	$ 2,865,695
Investment income	472,324	375,784
Administrative	114,487	38,779
Program revenue and user fees:		
Campus recreation	4,734,297	4,153,033
Children's center	2,052,578	1,991,939
Cultural arts	43,007	42,209
Mission Bay Aquatic Center	1,701,597	1,719,393
Facility revenue and user fees:		
Aztec Center/Scripps Cottage	1,055,485	742,970
Imperial Valley Campus facilities	-	-
Cox Arena	4,474,300	4,289,718
Total revenue and other support	17,808,553	16,219,520
Expenses and deductions:		
General and administrative	1,986,359	1,634,505
Program expenses:		
Campus recreation	4,803,992	4,272,545
Children's center	1,974,638	1,842,531
Cultural arts	213,740	200,657
Mission Bay Aquatic Center	1,830,191	1,764,435
Facility expenses:		
Aztec Center/Scripps Cottage	1,626,979	1,674,699
Imperial Valley Campus facilities	44,816	41,811
Cox Arena	4,314,929	3,945,565
Total expenses and deductions	16,795,644	15,376,748
Revenue, gains and other support over expenses and deductions	1,012,909	842,772
Interfund transfers	473,507	495,673
Net increase in net assets, unrestricted before adoption of FASB Statement No. 158	1,486,416	1,338,445
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	-	(548,000)
Net increase in net assets, unrestricted	$ 1,486,416	$ 790,445

See Notes to Financial Statements.

Associated Students of San Diego State University

Schedule of Net Assets
June 30, 2008

Assets	
Current Assets	
Cash and cash equivalents	$ 708,132
Short-term investments	5,537,556
Accounts receivable, net	812,728
Prepaid expenses and other assets	342,014
Total current assets	7,400,430
Noncurrent Assets	
Other long-term investments	3,551,000
Capital assets, net	2,439,430
Total noncurrent assets	5,990,430
Total assets	$ 13,390,860
Liabilities	
Current Liabilities	
Accounts payable	$ 932,580
Accrued salaries and benefits payable	214,542
Accrued compensated absences—current portion	242,425
Capitalized lease obligations—current portion	82,845
Deferred revenue	337,033
Total current liabilities	1,809,425
Noncurrent Liabilities	
Other liabilities	1,384,874
Capitalized lease obligations, net of current portion	132,752
Total liabilities	$ 3,327,051
Net Assets	
Invested in capital assets, net of related debt	$ 2,223,833
Unrestricted	7,839,976
Total net assets	$ 10,063,809

Associated Students of San Diego State University

Schedule of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

Revenues, operating:	
Student tuition and fees	$ 4,248,049
Grants and contracts, noncapital:	
Federal	56,267
State	421,089
Sales and services of auxiliary enterprises	14,493,495
Total operating revenues	19,218,900
Expenses, operating:	
Auxiliary enterprise expenses	17,338,117
Depreciation and amortization	614,589
Total operating expense	17,952,706
Operating income	1,266,194
Nonoperating revenues:	
Investment income, net	472,324
Increase in net assets	1,738,518
Net assets:	
Beginning of year	8,325,291
End of year	$ 10,063,809

1. Composition of Investments at June 30, 2008

	Current	Noncurrent Unrestricted	Total
State of California Local Agency Investment Fund	$ 4,840,874	$ -	$ 4,840,874
Certificates of deposit	693,000	3,551,000	4,244,000
GNMA	3,682	-	3,682
Total investments	$ 5,537,556	$ 3,551,000	$ 9,088,556

2. Composition of Capital Assets at June 30, 2008

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Nondepreciable capital assets				
Construction work in process (CIP)	$ -	$ 225,202	$ -	$ 225,202
Total nondepreciable capital assets	-	225,202	-	225,202
Depreciable capital assets:				
Buildings and building improvements	576,648		-	576,648
Equipment	5,184,586	482,022	(300,586)	5,366,022
Total depreciable capital assets	5,761,234	482,022	(300,586)	5,942,670
Less accumulated depreciation:				
Buildings and building improvements	(576,648)	-	-	(576,648)
Equipment	(2,801,904)	(614,589)	264,699	(3,151,794)
Total accumulated depreciation	(3,378,552)	(614,589)	264,699	(3,728,442)
Net capital assets	$ 2,382,682	$ 92,635	$ (35,887)	$ 2,439,430

Detail of depreciation and amortization expense for the year ended June 30, 2008:

Depreciation and amortization expense related to capital assets	$ 614,589
Amortization expense related to other assets	-
Total depreciation and amortization	$ 614,589

3. Calculation of Net Assets—Invested in Capital Assets, Net of Related Debt

Capital assets, net of accumulated depreciation	$ 2,439,430
Long-term debt obligations	(215,597)
Net assets—invested in capital assets, net of related debt	$ 2,223,833

4. Long-term Liabilities Activity

	Balance June 30, 2007	Costs	Payments	Balance June 30, 2008	Long-term Portion	Current Portion
Accrued compensated absences	$ 219,162	$ 319,290	$ (296,027)	$ 242,425	$ -	$ 242,425
Accrued employee benefit cost	878,195	168,326	(37,192)	1,009,329	1,009,329	-
Accrued pension costs	389,091	-	(13,546)	375,545	375,545	-
Capital Lease Obligations	-	225,202	(9,605)	215,597	132,752	82,845
	$ 1,486,448	$ 712,818	$ (356,370)	$ 1,842,896	$ 1,517,626	$ 325,270

5. Future Minimum Lease Payments

Year Ending June 30:	Principal	Interest	Principal and Interest
2009	$ 82,845	$ 3,597	$ 86,442
2010	113,590	1,666	115,256
2011	19,162	49	19,211
Total minimum lease payments			220,909
Less amounts representing interest			(5,312)
Present value of future minimum lease payments			215,597
Less: current portion			(82,845)
Capitalized lease obligation, net of current portion			$ 132,752

6. Transactions with Related Entities

	Amount
Reimbursements to University for other than salaries of University personnel	$ 1,652,768
Payments received from University for services, space and programs	1,602,433
Amounts (payable to) University	(322,738)
Amounts receivable from University	243,464