

**AUXILIARY ORGANIZATIONS
ASSOCIATION**

Chico, California

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT**

June 30, 2010 and 2009

TABLE OF CONTENTS

June 30, 2010 and 2009

*Auxiliary Organizations
Association*

	Page Number
Organizational Data	1
Independent Auditors' Report	2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
 SUPPLEMENTARY INFORMATION	
Schedules of Functional Expenses	11

ORGANIZATIONAL DATA

June 30, 2010

*Auxiliary Organizations
Association*

NATURE AND PURPOSE

The Auxiliary Organizations Association was organized in 1970 to facilitate communication and information sharing amongst auxiliary organizations operating within the California State University system. The Association is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code.

OFFICERS

Dave Edwards	President
Karen Finley	President-Elect
Richard Jackson	Secretary/Treasurer
Leslie Davis	Past-President

REPRESENTATIVES

NORTH

Debbie Astone
Jerri Carmo
Pat Hosegood Martin
Jerry Mimnaugh

SOUTH

Melinda Coil
Tariq Marji
Roger Stein
Paul Storey

**matson and isom**

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico

3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding

292 Hemsted Drive, Suite 100
Redding, CA 96002
Phone (530) 244-4980
Fax (530) 244-4983

Colusa

108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City

1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT

To the Executive Committee
Auxiliary Organizations Association
Chico, California

We have audited the accompanying statements of financial position of Auxiliary Organizations Association (the Association), a nonprofit organization, as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 fairly, in all material respects, the financial position of the Association as of June 30, 2010 and 2009, and the changes in 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 an opinion on the basic financial statements of the Association taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis as required by the California State University Chancellor's Office and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

Matson and Isom

January 19, 2011

STATEMENTS OF FINANCIAL POSITION*Auxiliary Organizations
Association*

June 30	2010	2009
ASSETS		
CURRENT ASSETS		
Investments	\$ 156,664	\$ 426,655
Accounts receivable	113,757	11,491
Prepaid expenses	44,569	6,417
Total Current Assets	314,990	444,563
SOFTWARE	11,363	22,727
Total Assets	\$ 326,353	\$ 467,290
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,656	\$ 55,689
Deferred income	50,287	54,060
Total Current Liabilities	56,943	109,749
NET ASSETS		
Unrestricted:		
Undesignated	101,376	196,885
Board designated	168,034	160,656
Total Net Assets	269,410	357,541
Total Liabilities and Net Assets	\$ 326,353	\$ 467,290

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS**

*Auxiliary Organizations
Association*

Years Ended June 30	2010	2009
UNRESTRICTED NET ASSETS		
REVENUES AND OTHER SUPPORT		
Membership dues	\$ 107,828	\$ 111,623
Conference sponsorship	30,000	139,930
Annual conference fees	-	105,685
Special events and committees	2,024	10,685
Interest and dividend income	5,569	10,721
Realized and unrealized gains (losses)	13,116	(18,920)
Donations	-	10,000
Total Revenues and Other Support	158,537	369,724
EXPENSES		
Program services:		
Executive committee meetings	34,157	16,833
Annual conference meeting	8,933	134,928
Annual conference expenses	47,314	89,817
Committee meetings	35,879	39,416
Legislative liaison	8,000	8,000
COGR dues	4,325	4,325
Web site expense	10,572	10,128
Legal services	23,533	16,655
Bad debt	2,000	6,360
Management and general	71,955	82,717
Total Expenses	246,668	409,179
Decrease in Unrestricted Net Assets	(88,131)	(39,455)
Unrestricted Net Assets - Beginning of Year	357,541	396,996
Unrestricted Net Assets - End of Year	\$ 269,410	\$ 357,541

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS*Auxiliary Organizations
Association*

Years Ended June 30	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (88,131)	\$ (39,455)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization expense	11,364	11,364
Realized and unrealized gains (losses)	(13,116)	18,920
Changes in:		
Accounts receivable	(102,266)	7,791
Prepaid expenses	(38,152)	14,867
Accounts payable	(49,033)	1,663
Deferred income	(3,773)	(3,647)
Net Cash Provided (Used) by Operating Activities	(283,107)	11,503
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in Local Agency Investment Fund	198,230	(5,291)
Sale (purchase) of investment in registered investment companies (mutual funds)	84,877	(6,212)
Net Cash Provided (Used) by Investing Activities	283,107	(11,503)
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - Beginning of Year	-	-
Cash and Cash Equivalents - End of Year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Auxiliary Organizations Association (the Association) is a nonprofit corporation organized and operated to facilitate communication and sharing of information regarding auxiliary organizations operating within the California State University system. Membership is open to any auxiliary organization operating in the California State University as an entity described in *California Education Code* Section 89901.

Basis of Accounting The financial statements of the Association have been prepared on the accrual basis of accounting, and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates The preparation of the financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Basis of Presentation Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents The CSU, Chico Research Foundation (the Foundation) advances cash to provide funds as needed. The Association reimburses the Foundation monthly using its short-term deposits in the Local Agency Investment Fund (LAIF). The Association considers highly liquid investments, such as bank deposits, money market accounts and certificates of deposit with maturities of 90 days or less, as "cash equivalents." As of June 30, 2010 and 2009, the Association did not have any cash equivalents.

Fair Value Measurements The Association accounts for certain assets and liabilities in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value under generally accepted accounting principles.

The Association classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2010.

LAIF: The Association holds short-term deposits in the LAIF, which is a State of California, Treasurer's Office, investment pool. The fair value of the LAIF pool at June 30, 2010, was 100.16% of the carrying value and is deemed to not represent a material difference. The LAIF pool includes structured notes and asset-backed securities representing 5.42% of the total portfolio, which are subject to market risk as interest rates fluctuate. The value of each participating LAIF dollar is valued daily and represents the fair value of the portfolio assets divided by the amortized cost. At times, the Association has a significant concentration of amounts invested in the LAIF.

Registered Investment Companies (Mutual Funds): Each investor in the mutual fund will typically receive units of participation in the mutual fund. These units are valued daily, based on the underlying securities owned by the mutual fund. The Association's mutual fund investments have underlying securities which include domestic and international equity securities as well as treasury and corporate bonds.

Software Software is comprised of web site design costs, including application and infrastructure development and installation. Software is amortized over the estimated useful life of three years using the straight-line method. Amortization in the amount of \$11,364 was recorded for the years ended June 30, 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010 and 2009

**Auxiliary Organizations
Association**

Income Taxes The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the tax-exempt purpose is subject to taxation as unrelated business income. The Association has been classified as an organization that is not a private foundation under Section 509(a)(2).

Date of Management Evaluation Management has evaluated subsequent events through January 19, 2011, the date on which the financial statements were available to be issued.

2. INVESTMENTS

The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Local Agency Investment Fund (LAIF)	\$ -	\$ 10,423	\$ -	\$ 10,423
Registered investment companies (mutual funds)	146,241	-	-	146,241
Total Investments at Fair Value	\$ 146,241	\$ 10,423	\$ -	\$ 156,664

The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2009.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Local Agency Investment Fund (LAIF)	\$ -	\$ 208,653	\$ -	\$ 208,653
Registered investment companies (mutual funds)	218,002	-	-	218,002
Total Investments at Fair Value	\$ 218,002	\$ 208,653	\$ -	\$ 426,655

3. NET ASSETS

Unrestricted board-designated net assets result from the Executive Committee policy that reserve balances shall be between a minimum of 50%, or a maximum of 100%, of the current year's operating budget. The reserve balance at June 30, 2010, was set to equal operating expenses in the general operations budget for the fiscal year ending June 30, 2011, which included reserves for operations, conferences and special projects.

4. RELATED-PARTY TRANSACTIONS

The Association has an agreement with the Foundation to provide administrative, information technology, accounting, and financial services. The fee for these services was \$31,500 and \$33,000 for the years ended June 30, 2010 and 2009, respectively.

Additionally, the Association utilizes the Foundation's checking account for operational activities. There was no balance in the account allocated to the Association at June 30, 2010 and 2009, as the Foundation's advances were reimbursed from amounts in LAIF.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010 and 2009

*Auxiliary Organizations
Association*

5. DEFERRED INCOME

The Association's dues are billed on a calendar-year basis. Dues for the period July 1 to December 31 are recorded as deferred income and recorded as income during the following fiscal year. Deferred income totaled \$50,287 and \$54,060 at June 30, 2010 and 2009, respectively.

SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNCTIONAL EXPENSES*Auxiliary Organizations**Association*

Page 1 of 2

<u>June 30, 2010</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Annual conference meeting	\$ 8,933	\$ -	\$ 8,933
Annual conference expenses	47,314	-	47,314
Committee meetings	35,879	-	35,879
Executive committee:			
Meetings and travel	34,157	-	34,157
Special projects	-	7,950	7,950
Legislative liaison	8,000	-	8,000
Legal services:			
Personnel counsel	20,000	-	20,000
Travel	3,533	-	3,533
Audit fees	-	7,350	7,350
Accounting services	-	31,500	31,500
Insurance	-	1,589	1,589
COGR dues	4,325	-	4,325
Web site expense	10,572	6,375	16,947
Depreciation	-	11,364	11,364
Bad debt expense	2,000	-	2,000
Miscellaneous	-	5,827	5,827
Total Expenses	\$ 174,713	\$ 71,955	\$ 246,668

See independent auditors' report.

SCHEDULE OF FUNCTIONAL EXPENSES*Auxiliary Organizations**Association*

Page 2 of 2

June 30, 2009	Program Services	Management and General	Total
Annual conference meeting	\$ 134,928	\$ -	\$ 134,928
Annual conference expenses	89,817	-	89,817
Committee meetings	39,416	-	39,416
Executive committee:			
Meetings and travel	16,833	-	16,833
Special projects	-	21,974	21,974
Legislative liaison	8,000	-	8,000
Legal services:			
Personnel counsel	11,668	-	11,668
Travel	4,987	-	4,987
Audit fees	-	8,350	8,350
Accounting services	-	33,000	33,000
Insurance	-	1,564	1,564
COGR dues	4,325	-	4,325
Web site expense	10,128	-	10,128
Depreciation	-	11,364	11,364
Bad debt expense	6,360	-	6,360
Miscellaneous	-	6,465	6,465
Total Expenses	\$ 326,462	\$ 82,717	\$ 409,179

See independent auditors' report.