



MATSON
& ISOM

AUXILIARY ORGANIZATIONS
ASSOCIATION

Chico, California

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2013 and 2012

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June 30, 2013 and 2012

*Auxiliary Organizations
Association*

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ORGANIZATIONAL DATA

June 30, 2013

*Auxiliary Organizations
Association*

NATURE AND PURPOSE

The Auxiliary Organizations Association (the Association), was organized in 1970 to facilitate communication and information sharing among 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.

2012-13 OFFICERS

Jerri Carmo	President
Deborah Adishian-Astone	Past President
Taren Mulhause	President-Elect
Richard Jackson	Secretary/Treasurer

2012-13 ELECTED REPRESENTATIVES

Christina Brown	John Griffin
Deborah Burns	Dennis Miller
Kim Clark	Carol Sager
Maria Garcia	Jon Slaughter



MATSON
& ISOM

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, a nonprofit organization (the Association), as of June 30, 2013 and 2012, and the related statements of activities, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

Continued

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Matson and Isom

November 16, 2013
Chico, California

FINANCIAL SECTION

STATEMENTS OF FINANCIAL POSITION*Auxiliary Organizations
Association*

June 30	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 238,955	\$ 158,383
Investments	184,442	172,618
Accounts receivable	41,945	61,331
Prepaid expenses	37,732	41,232
Total Current Assets	503,074	433,564
NOTE RECEIVABLE	27,911	35,411
Total Assets	\$ 530,985	\$ 468,975
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 20,000	\$ 20,000
Deferred income	91,870	94,070
Total Current Liabilities	111,870	114,070
NET ASSETS		
Unrestricted:		
Undesignated	56,972	82,398
Board designated	362,143	272,507
Total Net Assets	419,115	354,905
Total Liabilities and Net Assets	\$ 530,985	\$ 468,975

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	2013	2012
UNRESTRICTED NET ASSETS		
REVENUES AND OTHER SUPPORT		
Membership dues	\$ 180,300	\$ 163,344
Conference sponsorship	201,000	190,500
Annual conference fees	144,687	97,707
Special events and committees	3,210	14,194
Interest and dividend income	4,787	3,968
Realized and unrealized gains	7,653	335
In-kind contributions	20,788	12,288
Total Revenues and Other Support	562,425	482,336
EXPENSES		
Program services:		
Executive committee meetings	33,541	34,760
Annual conference meeting	285,107	245,166
Committee meetings	12,047	11,019
Legislative liaison	10,124	8,150
Legal services	20,000	20,000
COGR dues	4,325	4,325
Website expense	11,140	11,559
Plaques and awards	3,787	4,323
Bad debt	2,825	3,373
Marketing and communications	12,474	12,943
Special projects	4,024	10,209
Bank fees	4,536	-
Donated goods and services	20,788	12,288
Management and general	73,497	58,735
Total Expenses	498,215	436,850
Increase in Unrestricted Net Assets	64,210	45,486
Unrestricted Net Assets - Beginning of Year	354,905	309,419
Unrestricted Net Assets - End of Year	\$ 419,115	\$ 354,905

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

STATEMENTS OF CASH FLOWS*Auxiliary Organizations
Association*

Years Ended June 30	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 64,210	\$ 45,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains	(7,653)	(335)
Reinvested dividends	(4,171)	(3,845)
Changes in:		
Accounts receivable	19,386	(12,432)
Prepaid expenses	3,500	1,010
Accounts payable	-	(13,500)
Deferred income	(2,200)	21,789
Net Cash Provided by Operating Activities	73,072	38,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	7,500	-
Net Change in Cash and Cash Equivalents	80,572	38,173
Cash and Cash Equivalents - Beginning of Year	158,383	120,210
Cash and Cash Equivalents - End of Year	\$ 238,955	\$ 158,383

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 within the California State University as an entity described in the, *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: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: 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: 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 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.” At times, the Association’s cash and cash equivalents may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Accounts Receivable The Association’s accounts receivable consists of amounts due from business partners attending the annual conference as well as members’ annual dues. The Association records allowances for doubtful accounts based on payment history and correspondence with those who have balances outstanding. The Association did not record an allowance for doubtful accounts as of June 30, 2013 and 2012.

Fair Value Measurements The Association accounts for certain assets and liabilities in accordance with Financial Accounting Standards 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.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold using the specific identification method. Unrealized gains and losses on investment securities available for sale are based on the difference between book value and fair value of each security.

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's 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, 2013.

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 bonds.

Notes Receivable The Association's notes receivable consist of amounts due from the Auxiliaries Multiple Employer VEBA for advance payments made by the Association on behalf of the VEBA for legal and accounting fees required for the formation of the VEBA. The VEBA has agreed to repay the advances by December 31, 2014. The Association is confident that the balance is fully collectible.

Donated Services Donated services are recognized as contributions in accordance with FASB ASC Subtopic 958-605, *Not-for-Profit-Entities – Revenue Recognition*, if the services: (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. The value of donated goods and services meeting the requirements for recognition in the financial statements was \$20,788 and \$12,288 at June 30, 2013 and 2012, respectively.

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. Unrelated business income was insignificant, and, accordingly, no provision for income taxes was recorded. The Association has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Association files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2009 and beyond, and the California returns for tax years 2008 and beyond, remain subject to examination by the taxing authorities.

The Association accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the Association's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740, also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Association's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2013 and 2012, and the Association does not expect this to change significantly over the next 12 months.

Reclassifications Certain amounts in the June 30, 2012, financial statements have been reclassified, for comparative purposes, to conform with the presentation in the June 30, 2013, financial statements.

Date of Management's Evaluation Management has evaluated subsequent events through November 16, 2013, 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, 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies (mutual funds) - blend funds	\$ 184,442	\$ -	\$ -	\$ 184,442

The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies (mutual funds) - blend funds	\$ 172,618	\$ -	\$ -	\$ 172,618

Gross realized gains of \$3,477 and \$423 were recorded as of June 30, 2013 and 2012, respectively. The realized gains were due to normal market returns and there were no sales proceeds during June 30, 2013 and 2012. Gross unrealized gains and losses of \$4,176 and (\$88) were recorded as of June 30, 2013 and 2012, respectively.

3. NET ASSETS

Unrestricted board-designated net assets result from the Executive Committee policy, which requires reserve funds. The board-designated balance includes reserves for working capital, conferences, and special projects. The reserve requirement for working capital is 50% of projected operating expenses for the subsequent fiscal year. The reserve requirement for conferences is 100% of the prior-year conference business partner income. The reserve requirement for special projects is total projected special project expenses for the subsequent fiscal year plus \$50,000.

Board designated net asset reserves as of June 30, 2013, are as follows:

Working capital	\$ 89,143
Conference contingency	190,500
Special projects/General contingency	82,500
Total Board Designated Net Assets	\$ 362,143

4. DEFERRED INCOME

The Association's dues are billed on a calendar-year basis. Dues collected during the period July 1 to December 31 are recorded as deferred income and reclassified as income during the following fiscal year. Deferred income totaled \$91,870 and \$94,070 at June 30, 2013 and 2012, respectively.

SUPPLEMENTARY INFORMATION SECTION

SCHEDULE OF FUNCTIONAL EXPENSES

Auxiliary Organizations

Association

Page 1 of 2

Year Ended June 30, 2013	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 213,347	\$ -	\$ 213,347
Speaker fees and other expenses	61,737	-	61,737
Preplanning	10,023	-	10,023
Executive committee:			
Meetings and travel	33,541	-	33,541
Committee meetings	12,047	-	12,047
Special projects	4,024	-	4,024
Legislative liaison	10,124	-	10,124
Legal services:			
Personnel counsel	20,000	-	20,000
Audit fees	-	10,500	10,500
Accounting services	-	36,000	36,000
Insurance	-	1,489	1,489
COGR dues	4,325	-	4,325
Website expense	11,140	12,000	23,140
Miscellaneous	-	13,508	13,508
Plaques and awards	3,787	-	3,787
Bad debt expense	2,825	-	2,825
Marketing and communications	12,474	-	12,474
Bank fees	4,536	-	4,536
Donated goods and services	20,788	-	20,788
Total Expenses	\$ 424,718	\$ 73,497	\$ 498,215

See independent auditors' report.

SCHEDULE OF FUNCTIONAL EXPENSES*Auxiliary Organizations**Association*

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<u>Year Ended June 30, 2012</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Annual conference:			
Hotel and meals	\$ 181,137	\$ -	\$ 181,137
Speaker fees and other expenses	52,115	-	52,115
Preplanning	11,914	-	11,914
Executive committee:			
Meetings and travel	34,760	-	34,760
Committee meetings	11,019	-	11,019
Special projects	10,209	-	10,209
Legislative liaison	8,150	-	8,150
Legal services:			
Personnel counsel	20,000	-	20,000
Audit fees	-	7,800	7,800
Accounting services	-	36,000	36,000
Insurance	-	1,671	1,671
COGR dues	4,325	-	4,325
Website expense	11,559	6,259	17,818
Miscellaneous	-	7,005	7,005
Plaques and awards	4,323	-	4,323
Bad debt expense	3,373	-	3,373
Marketing and communications	12,943	-	12,943
Donated goods and services	12,288	-	12,288
Total Expenses	\$ 365,827	\$ 58,735	\$ 436,850

See independent auditors' report.