

CSU Auxiliaries 101

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Auxiliary Organizations Association

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Overview

- What Are They?
- What Aren't They?
- Why Were They Created?
- What Are Their Authorized Roles?



- Types of Auxiliary Organizations and Activities
- How Do They Operate?
- Advantages of Auxiliary Organizations
- Auxiliary Organizations Association Resources

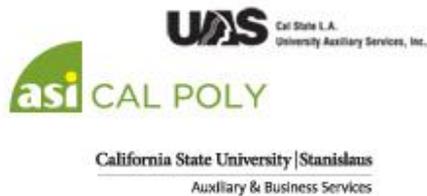
Mission Statement

We are a consortium of diverse, entrepreneurial, service-oriented California State University auxiliary organizations whose purpose is to assist in exemplary services, programs, and facilities that further the educational mission of each campus.

What Are They?

- Separately organized legal entities (currently 86) created to perform services and authorized support functions of benefit to the campuses
 - 501 (c)(3) nonprofit public benefit corporations
 - Separate Legal Entities
 - First auxiliary established in 1922 – the Fresno State College Association





Associated Students, Inc.



Auxiliary Organizations - Supporting the CSU

[click here to learn more](#)

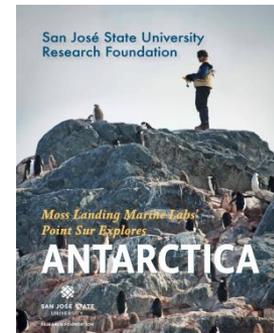
Typical Auxiliary Organizations & Revenue Sources

- Associated Student Body Organization Programs
 - Revenues from student body fees



- Student Unions, rec centers and children's centers
 - Revenues from student union fees and operations in the facility

- Sponsored Programs, Research & Special Education Projects
 - Externally funded grant and contract activity conducted by faculty and staff



(Typical Auxiliary Organizations – continued)

■ Commercial Services

- Revenue from bookstore sales, dining services, child care centers, and other commercial activities



- Gifts, Endowments, Trusts, and Fundraising from external entities intended to support specific activity and other university operations, and typically 90% of donations are restricted as to use

• Real and Personal Property

- Auxiliaries can incur debt to purchase property and/or engage in partnership projects to develop property



1. An Auxiliary Organization

Structure

- Authorized under the provisions of the **California Education Code** and **TITLE 5** delegating authority to the CSU Trustees, CSU Chancellor, and University Presidents
- Authorized under **Internal Revenue Code** and **California Corporations Code** as 501(c)(3) nonprofit organizations and 509(a)(3) supporting organizations, operated for exempt purposes as a “public charity” under California and federal law

- Must have an **Operating Agreement** with the CSU defining approved activities for each auxiliary
- Need a written **MOU** with the campus to establish scope of operations and address other contractual issues
- Must be **fiscally viable** (with adequate reserves)
- Commercial services must be **self-supporting**
- Advantage: Provides additional operational flexibility and support to the university

Even though auxiliary organizations may be organized as corporations, they are first and foremost auxiliary organizations of the CSU and must therefore operate pursuant to the specific statutes and regulations applicable to auxiliary organizations.

The Ladder:

Tier One – Statutory:

- Corporations Code
- Education Code
- Revenue and Taxation Code



Tier Two – Regulations:

- California Code of Regulations (Title 5)

**Tier Three – CSU
Policy/Practices:**

- Trustee Resolutions
- Chancellor's Executive Orders
- Coded Memoranda
- ICSUAM

Tier Four – Campus Policy/Practices

**Tier Five – Auxiliary Governance & Management
Policy/Practices**

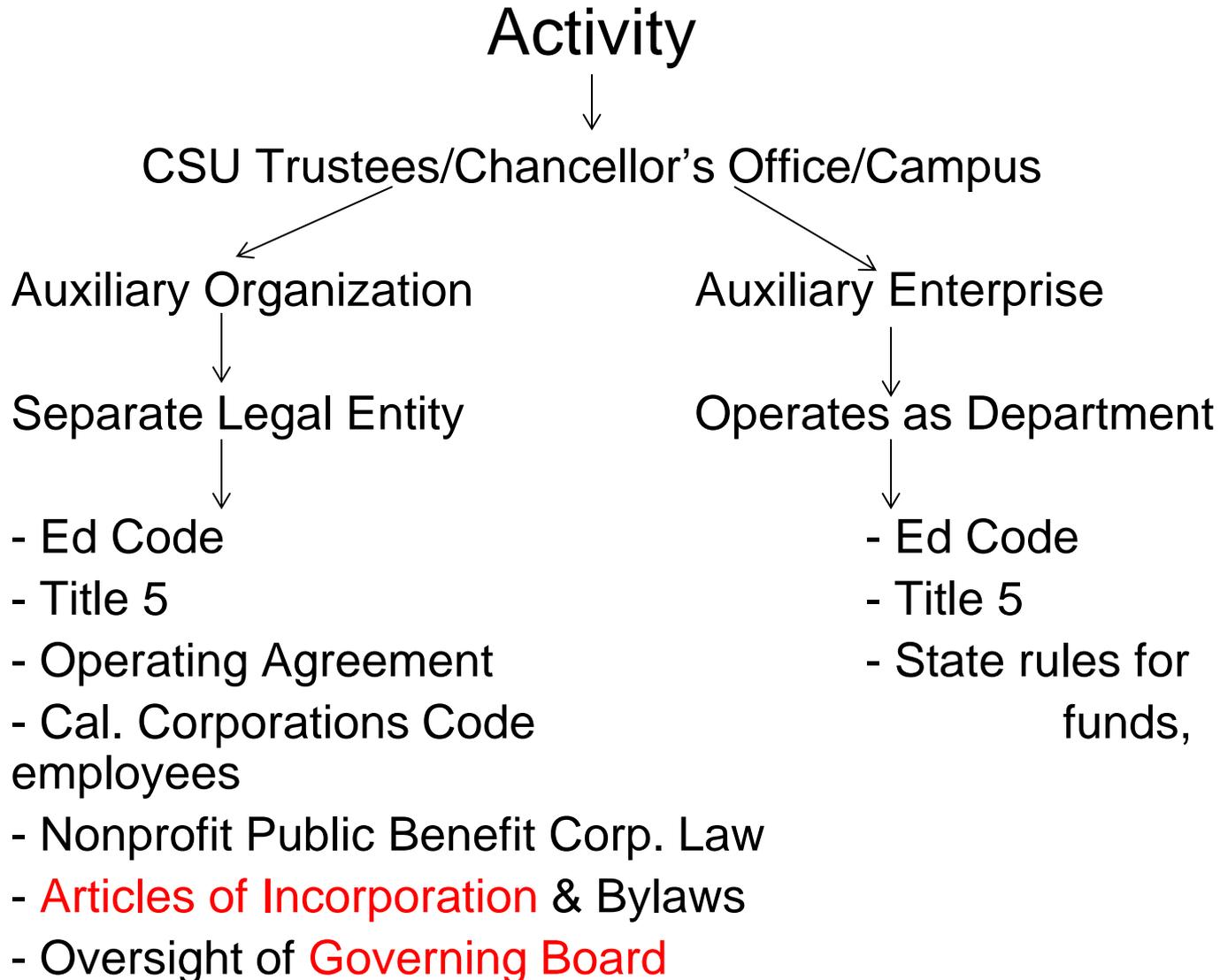
What Aren't They?

Auxiliary Enterprises or Services

- Auxiliary organizations are NOT “auxiliary enterprises” or “auxiliary services” which are functions or operations that are departments of the university – not separate legal organizations. Examples are:
 - Housing – Dormitory Revenue Fund
 - Parking Fund
 - Continuing Education Fund (CERF)
 - Student Health Center

How a function is organized determines whether it
is an Auxiliary Organization
or
an Auxiliary Enterprise

Auxiliary **organizations** are self-supporting entities,
while auxiliary **enterprises** are self-supporting activities



Why Were They Created?

The purpose of CSU auxiliary organizations is:

- “To provide instructional and service aids not normally furnished by the State budget” and:
 - Facilitate essential services and activities
 - Enhance budgetary flexibility
 - Manage risk and exposure, shield against liability
 - Increase investment opportunities
 - Purchase and sell real estate

Authorized Functions of Auxiliary Organizations

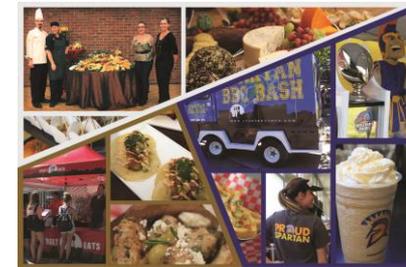
(Title 5, Section 42500)

- Student body organizations





▪ Bookstores, dining services, and campus services



▪ Housing (e.g., faculty and staff for-sale housing)



- Gifts, bequests, endowments, trusts



- Public relations, fundraising, fund management and development



- Acquisition, development, sale and transfer of real and personal property, including financing transactions





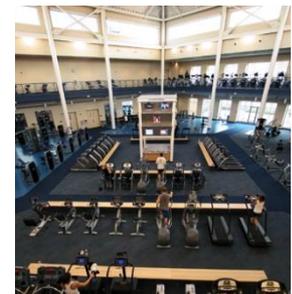
- Student Unions, Recreation Centers and Children's Centers



- Supplementary health services



- Loans, scholarships, grants-in-aids, stipends and related financial assistance



(Authorized Functions – continued)



- Externally funded projects including research, workshops, conferences and institutes:



- Instructionally-related programs (e.g., radio, athletics, etc.)



- Alumni programs (not alumni associations)



(Authorized Functions – continued)

- Many of these activities can be performed by either the university or an auxiliary, as long as authorized and with an operating agreement in place
- Most campuses have traditionally provided these functions through auxiliaries for the following reasons:
 - Limit Risk Exposure
 - Lack of Campus Resources
 - Support to the University
 - Flexibility

How Do They Operate?

- No CSU allocations (General Fund appropriations)
- Good private sector business practices (an alternative to governmental standards and state procedures), which enhance university capabilities
- Flexibility and adaptability make auxiliaries useful to their universities
- Subject to different laws and regulations – e.g., different Wage & Hour provisions, different Open Meeting laws, different Records Disclosure requirements

Ownership of a Program:

- Authority to sign related contracts
- Risk of business loss
- Legal responsibility and liability exposure
- Fiduciary duty
- Policies that will govern the conduct of the program
- Administrative control over expenditures

Financial Reporting for Auxiliaries

- Auxiliary organizations follow either Financial Accounting Standards Board (FASB) guidelines or Government Accounting Standards Board (GASB) guidelines
- Auxiliary organizations are required to produce independently audited financial statements and file federal and state tax returns annually
- Auxiliary organizations with gross revenues of \$2 million or more are required by the California Nonprofit Integrity Act of 2004 to present and review the audited financials with an Audit Committee appointed by the auxiliary board of directors

(Financial Reporting for Auxiliaries – continued)

- As part of the required audited financial statements, a supplementary information section is completed that presents the financial information in a GASB format
- The supplementary information is used by the campus and Chancellor's Office for consolidation reporting
- Auxiliary audited financial information, tax returns, and annual budgets are part of the information posted on each auxiliary website for public viewing as suggested by the Chancellor's Office
- Auxiliaries are subject to compliance audits from the Chancellor's Office Audit and Advisory Services every three years

Advantages of Auxiliary Organization Activities – A General Perspective

- Operate on a self-support basis
- Diversify resources by generating net revenues from commercial enterprises, contract and grant management, and gift administration
- Offer “private-sector” efficiency and flexibility
- Offer reduced operating costs and alternative employment relationships
- Accept entrepreneurial and special program risk exposures not appropriate for the public entity

(Advantages of Auxiliary Organization Activities – continued)

- Manage endowment funds outside State investment restrictions (e.g., invest in equities to maximize returns)
- Purchase and dispose of property; provide seed money or loans for development of university projects
- Enter into public/private partnerships that support the university (shift of project risk and debt issuance)
- Facilitate certain types of financing, and add debt capacity
- Engage in statewide education bond campaigns
- Manage risk exposure

AOA Resources

- Website Resources (www.csuaoa.org)
 - Information sharing
 - Membership directory
 - Legislative and legal updates
 - Library of resource materials
 - Sample policies, procedures and forms



(Resources– continued)

- AOA Annual Conference
- AORMA - Group insurance and pooled benefit programs (cost savings, and millions returned in dividends)



- Standing Committee resources and programs (e.g., AS/SU, Research, Financial Services, Information Technology, Human Resources)

Resources (Continued)

- Assist in creation of resources for member auxiliaries:

Multi-employer VEBA Trust

- Act as a forum/resource for resolution of common issues
- Represent interests of auxiliaries to policy-making groups
- Point of contact with Chancellor's Office, CABO, FOA

...a partnership with the intent to seek joint solutions to common issues

Contact Info

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