

Auxiliary Organizations Association

Chico, California

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

June 30, 2015 and 2014



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I S O M**

Auxiliary Organizations Association

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Auxiliary Organizations Association

ORGANIZATIONAL DATA

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.

2015 OFFICERS

John Griffin	President
Kim Clark	Past President
Christina Brown	President-Elect
Richard Jackson	Secretary/Treasurer

2015 ELECTED REPRESENTATIVES

Michele Goetz	Jim Reinhart
Diane Hartjen	Scott Schorn
Starr Lee	Jon Slaughter
Nicole Lane	Martiz Ware

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Auxiliary Organizations Association
Chico, California

We have audited the accompanying financial statements of Auxiliary Organizations Association, a nonprofit organization (the Association), which comprise the statement of financial position as of June 30, 2015 and 2014; the related statements of activities and changes in net assets, and cash flows for the years then ended; and the related notes to the financial statements.

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 audit. We conducted our audit 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 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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, 2015 and 2014, 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.

Other Matter

Our audit was 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.

KCoe Jean, LLP

November 24, 2015

Chico, California

FINANCIAL SECTION

Auxiliary Organizations Association

STATEMENTS OF FINANCIAL POSITION

June 30	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 235,715	\$ 276,108
Investments	261,632	254,478
Accounts receivable - net of allowance of doubtful accounts	4,650	29,800
Prepaid expenses	16,122	9,364
Note receivable	-	27,911
TOTAL CURRENT ASSETS	\$ 518,119	\$ 597,661
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 20,000
Deferred income	92,395	92,995
Total Current Liabilities	92,395	112,995
Net Assets		
Unrestricted:		
Undesignated	160,567	242,209
Board designated	265,157	242,457
Total Net Assets	425,724	484,666
TOTAL LIABILITIES AND NET ASSETS	\$ 518,119	\$ 597,661

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

Auxiliary Organizations Association
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30	2015	2014
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
Membership dues	\$ 182,400	\$ 180,250
Conference sponsorship	229,350	216,200
Annual conference fees	187,570	165,660
Special events and committees	2,625	3,520
Interest and dividend income	9,818	4,984
Realized and unrealized gains (losses)	(2,235)	20,618
In-kind contributions	12,500	21,300
CSUnity income	-	7,572
Total Revenues and Other Support	622,028	620,104
EXPENSES		
Program services:		
Executive committee meetings	37,127	35,237
Annual conference meeting	439,333	325,527
Committee meetings	12,562	14,838
Legislative liaison	8,390	8,150
Legal services	21,705	21,953
COGR dues	4,750	4,325
Website expense	11,744	11,440
Plaques and awards	5,338	3,923
Bad debt	-	4,100
Marketing and communications	15,983	17,101
Special projects	20,369	15,347
Bank fees	8,603	6,094
Donated goods and services	12,500	21,300
CSUnity	3,000	841
Management and general	79,566	64,377
TOTAL EXPENSES	680,970	554,553
Increase (Decrease) in Unrestricted Net Assets	(58,942)	65,551
Unrestricted Net Assets - Beginning of Year	484,666	419,115
Unrestricted Net Assets - End of Year	\$ 425,724	\$ 484,666

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

Auxiliary Organizations Association

STATEMENTS OF CASH FLOWS

Years Ended June 30	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (58,942)	\$ 65,551
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized (gains) losses	2,235	(20,618)
Changes in:		
Accounts receivable	25,150	12,145
Prepaid expenses	(6,758)	28,368
Accounts payable	(20,000)	-
Deferred income	(600)	1,125
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(58,915)	86,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on note receivable	27,911	-
Purchase of investments	(9,389)	(49,418)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	18,522	(49,418)
Net Change in Cash and Cash Equivalents	(40,393)	37,153
Cash and Cash Equivalents - Beginning of Year	276,108	238,955
Cash and Cash Equivalents - End of Year	\$ 235,715	\$ 276,108

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

Auxiliary Organizations Association

NOTES TO THE 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 allowance for doubtful accounts was \$3,000 as of June 30, 2015 and 2014, respectively.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2015.

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 consisted 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 repaid the advances during the June 30, 2015, fiscal year.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 \$12,500 and \$21,300 at June 30, 2015 and 2014, 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 2011 and beyond, and the California returns for tax years 2010 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, 2015 and 2014, and the Association does not expect this to change significantly over the next 12 months.

Date of Management's Evaluation Management has evaluated subsequent events through November 24, 2015, the date on which the financial statements were available to be issued.

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. INVESTMENTS

The following is a schedule of the assets at fair value, by level within the fair value hierarchy:

June 30, 2015	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 109,175	\$ -	\$ -	109,175
Blend funds	106,807	-	-	106,807
Bond funds	45,650	-	-	45,650
Total Investments	\$ 261,632	\$ -	\$ -	261,632

June 30, 2014	Level 1	Level 2	Level 3	Total
Mutual Funds				
Value funds	\$ 105,402	\$ -	\$ -	105,402
Blend funds	103,979	-	-	103,979
Bond funds	45,097	-	-	45,097
Total Investments	\$ 254,478	\$ -	\$ -	254,478

Gross realized gains of \$6,022 and \$1,022 were recorded as of June 30, 2015 and 2014, respectively. The realized gains were due to normal market returns, and there were no sales proceeds during June 30, 2015 and 2014. Gross unrealized gains and losses of \$(8,257) and \$19,596 were recorded as of June 30, 2015 and 2014, 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 general. The minimum reserve requirement for working capital is 50% of the most recently approved annual general operating expense budget, or \$50,000. The minimum reserve requirement for conferences is 50% of the prior-year conference business partner income, or \$75,000. The reserve requirement for general contingencies is to be maintained at a level, determined annually, necessary to mitigate any other contingencies not contemplated elsewhere with a minimum balance of \$50,000.

Board designated net asset reserves are as follows:

June 30, 2015	
Working capital	\$ 100,482
Conference contingency	114,675
General contingency	50,000
Total Board Designated Net Assets	\$ 265,157

Auxiliary Organizations Association

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 \$92,395 and \$92,995 at June 30, 2015 and 2014, respectively.

SUPPLEMENTARY INFORMATION SECTION

Auxiliary Organizations Association

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 338,477	\$ -	\$ 338,477
Speaker fees and other expenses	86,331	-	86,331
Preplanning	14,525	-	14,525
Executive committee:			
Meetings and travel	37,127	-	37,127
Committee meetings	12,562	-	12,562
Special projects	20,369	-	20,369
Legislative liaison	8,390	-	8,390
Legal services:			
Personnel counsel	20,000	-	20,000
General counsel	1,705	-	1,705
Audit fees	-	11,550	11,550
Accounting services	-	37,080	37,080
Insurance	-	2,019	2,019
COGR dues	4,750	-	4,750
Website expense	11,744	11,400	23,144
Miscellaneous	-	17,517	17,517
Plaques and awards	5,338	-	5,338
Marketing and communications	15,983	-	15,983
Bank fees	8,603	-	8,603
Donated goods and services	12,500	-	12,500
CSUnity	3,000	-	3,000
Total Expenses	\$ 601,404	\$ 79,566	\$ 680,970

See independent auditors' report.

Auxiliary Organizations Association

SCHEDULE OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2014	Program Services	Management and General	Total
Annual conference:			
Hotel and meals	\$ 222,639	\$ -	\$ 222,639
Speaker fees and other expenses	87,292	-	87,292
Preplanning	15,596	-	15,596
Executive committee:			
Meetings and travel	35,237	-	35,237
Committee meetings	14,838	-	14,838
Special projects	15,347	-	15,347
Legislative liaison	8,150	-	8,150
Legal services:			
Personnel counsel	20,000	-	20,000
General counsel	1,953	-	1,953
Audit fees	-	11,150	11,150
Accounting services	-	36,000	36,000
Insurance	-	1,582	1,582
COGR dues	4,325	-	4,325
Website expense	11,440	6,975	18,415
Miscellaneous	-	8,670	8,670
Plaques and awards	3,923	-	3,923
Bad debt expense	4,100	-	4,100
Marketing and communications	17,101	-	17,101
Bank fees	6,094	-	6,094
Donated goods and services	21,300	-	21,300
CSUnity	841	-	841
Total Expenses	\$ 490,176	\$ 64,377	\$ 554,553

See independent auditors' report.